

## FINANCIAL TIMES

Europe's Business Newspaper

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Malaysia to refuse  
further contracts  
for UK companies

Malaysia is planning to refuse to award further contracts to British companies because of its fury with British press reports alleging that bribes have been offered to Malaysian politicians. The announcement will be made by deputy prime minister and finance minister Anwar Ibrahim (left) today.

The Foreign Office was last night making final attempts to head off a move which could cost British companies hundreds of millions of pounds in lost business. Page 16

**RJR Reynolds**, US tobacco and food group best known for its Camel cigarette brand, announced a \$100 share issue that could signal the start of an acquisition spree. Page 17

**Royal Dutch Shell** warned that oil prices are likely to remain at their depressed levels for much of this year as the company announced a sharp decline in results for the final quarter of last year. Page 17; Lex, Page 16

**Weak starting aids ICI profits**: A weak sterling and cost-savings from restructuring pushed ICI's full year pre-tax profits to £290m. The figure excludes businesses sold or demerged last year, such as drugs company Zeneca, and compares with £163m in 1992 on the same basis. Page 17; Lex, Page 16

**Moscow set to resume gold swaps**: Russia is negotiating to resume gold swaps for the first time since the Soviet Union's collapse in order to help finance its budget deficit. Page 3

**Philips in cable TV venture**: Dutch electronics group Philips is joining forces with United International Holdings of the US to invest in cable television infrastructure in about a dozen European countries. Page 6

**Granada poised to win LWT**: UK entertainment group Granada has been set to win its £75m hostile bid for London Weekend Television after Mercury Asset Management accepted the offer for its 14.3 per cent stake. Page 17

**India urged to press on with reforms**: India must press ahead with further economic liberalisation, trade reforms, cuts in subsidies and reductions in public borrowing, the government's annual economic survey says. Page 5

**US durable goods orders rise**: New orders for US durable goods rose 3.7 per cent between December and January - more than expected in financial markets - but the figures were distorted by a surge in aircraft orders. Page 7

**TNT back in profits**: Australian transport group TNT, which has been pruning its activities to reduce heavy borrowings, reported interim net operating profits before abnormal items of A\$25.5m (US\$18.3m) compared with a loss of A\$9.8m in the same period of 1992. Page 21

**Union Minière to sell US zinc operations**: Belgian metals group Union Minière is to sell its US zinc operations to Savage Resources of Australia for \$200m. Page 19

**Spain may offer Repsol shares**: The Spanish government is considering an international offering of Repsol shares that could reduce the public sector's holding in the energy and chemicals group from 41.1 per cent to 20 per cent. Page 17

**Mexican rebels win concessions**: Zapatista rebels who led an uprising last month in Mexico's Chiapas state, said the government had conceded about a quarter of their demands for better health facilities, education and housing, after three days of talks. Page 7

**Woolwich advances 46%**: Woolwich building society reported annual pre-tax profits up 46 per cent to £217m, due to lower provisions for bad debts and improved performance from its subsidiaries. Page 25

**Bass and Grolsch in joint venture**: Bass, the UK's largest brewer, is to form a joint venture company with Dutch brewer Grolsch to brew and market Grolsch lager in the UK. Page 25

**West Indies win first Test**: West Indies won the first cricket Test against England in Jamaica by eight wickets. They ended the fourth day's play eight runs short of victory and completed the task yesterday in 32 balls.

STOCK MARKET INDICES			
FT-SE 100	3,392.5	(-74.4)	SPIT
Yield	3.53		
FT-SE Europe 100	1,456.74	(-32.36)	
FT-SE-AI Share	1,550.48	(-1.59)	
Nikkei	15,765.48	(+23.05)	
New York S&P 500	2,851.18	(-40.82)	
S&P Composite	485.25	(-4.67)	
US LONG-TERM RATES			
Federal Funds	3.1/4		
3-mo Treas Bill	3.438%		
Long Bond	9.4		
Yield	6.899%		
LONDON MONEY			
3-mo Interbank	5.1/4	(5.1/4)	
Libor long 6m future	Mar 12 1/2	(Mar 14 1/2)	
NORTH SEA OIL (Argus)			
Brent 15-day April	\$13.38	(13.405)	
GOLD			
New York Comex April	\$377.5	(378.0)	
London	\$378.10	(378.45)	
Tokyo close	¥105.40		

Australia	68.02	Germany	1.4800	UK	1.5460	US	78.00
Belgium	36.36	Hungary	200.00	USA	78.00	Yugoslavia	166.00
Denmark	136.48	India	47.00	Canada	70.00	France	1.6360
France	1.6360	Indonesia	166.00	Finland	5.94	Germany	1.4800
Greece	340.00	Japan	163.00	Italy	1.3660	Japan	163.00
Hong Kong	7.75	Malaysia	3.40	Netherlands	2.2030	Malaysia	3.40
India	47.00	Norway	4.76	Norway	4.76	Norway	4.76
Indonesia	166.00	Poland	100.00	Poland	100.00	Poland	100.00
Italy	1.3660	Portugal	200.48	Portugal	200.48	Portugal	200.48
Japan	163.00	South Africa	10.00	South Africa	10.00	South Africa	10.00
Malaysia	3.40	South Korea	180.00	South Korea	180.00	South Korea	180.00
Netherlands	2.2030	Sweden	8.4660	Sweden	8.4660	Sweden	8.4660
Norway	4.76	Switzerland	1.4800	Switzerland	1.4800	Switzerland	1.4800
Poland	100.00	UK	1.5460	UK	1.5460	UK	1.5460
Portugal	200.48	US	78.00	US	78.00	US	78.00
South Africa	10.00						
South Korea	180.00						
Sweden	8.4660						
Switzerland	1.4800						
UK	1.5460						
US	78.00						
Yugoslavia	166.00						



## NEWS: EUROPE

# Germany opens up public road projects

By Quentin Peel in Bonn

The German government yesterday gave the green light for private contractors to build and operate toll tunnels, bridges and mountain passes to extend the country's highway system in an important new move to extend private-sector involvement in the public infrastructure.

A draft law was approved by the cabinet in Bonn as part of the government's drive to deregulate and privatise wider sectors of the economy. It is intended to accelerate construction of road projects, such as the proposed DM10bn (€3.8bn) tunnel under the Ruhr valley, which otherwise would be delayed because of the acute squeeze on public finances.

At the same time the cabinet approved plans to step up its overall privatisation programme, giving top priority to the sale of Deutsche Lufthansa, the national airline, the Rhine-Main-Danube canal operator, the Bundesanzeiger publishing house, and the state company controlling motorway service stations.

The plan to step up private financing and operation of road projects, and to allow the introduction of toll charges, comes on top of a decision last year to seek private-sector financing for 12 large road projects, including the fourth tun-

German industry was more optimistic about its outlook in January, reporting better export prospects and improved tendencies in orders, the IFO economic research institute said in its latest monthly survey. Reuter reports from Munich. Positive reports on the business climate narrowly exceeded negative ones for the first time for many months.

There were few reports of plans to curtail production.

Under the Elbe at Hamburg. Those 12 projects, costing a total of almost DM3.9bn, would not be privately operated, but would instead be bought back by the government over 15 years after their completion, on the basis of a leasing model.

Mr Matthias Wissmann, the transport minister, said the new move would extend the whole area of private involvement in the road network, although still not yet allowing construction of toll roads: the projects would be limited to bridges, tunnels and mountain passes linked to the main highway system.

The government's draft law will now be submitted to the parliamentary groups of the ruling coalition to refine and send direct to parliament, in order to speed up the normally cumbersome legal process, and

ensure the bill becomes law before the next elections in October.

Mr Wissmann said that the plan to allow private toll operators as part of the public highway network would mean the private sector could remove expensive bottlenecks in the system.

The plan was immediately denounced by the opposition. Ms Ingrid Matthäus-Maier, deputy leader of the Social Democratic opposition in the Bundestag, said it was another blatant example of the government shifting its bills to the consumer - in this case, the ordinary motorist.

The rest of the government's privatisation programme may prove difficult to push through before the October elections, officials admitted yesterday. Mr Theo Waigel, the finance minister, said that conditions on the stock exchange, and the results of drastic cost-cutting, made the sale of Lufthansa particularly attractive. However, it depends on highly sensitive and complex negotiations on the future financing of the airline's pension funds, which may well take months to conclude.

Mr Dieter Vogel, the government spokesman, would only say yesterday that the big privatisation projects would be "prepared" rather than "completed" in the coming months.

# The rise and rise of Berlusconi

Robert Graham on growing support for Italian media magnate's new political party

"Watching our support grow has been like looking at a temperature gauge that climbs up and up," says an exultant Roberto Lasagna, campaign manager for media magnate Silvio Berlusconi's Forza Italia movement.

As the campaign for Italy's general elections on March 27 opens today, Mr Lasagna claims his organisation's polls give Mr Berlusconi and Forza Italia at least 35 per cent of the vote nationwide.

If sustained over the next month such support would give the 57-year-old owner of the Fininvest media group, who entered the ring only in January, a good chance of heading the next government.

"There is no precedent in Europe of an entrepreneur entering politics like this, so close to an election and with a completely new political movement," says Mr Lasagna. "Within less than four months of being created, one in three voters who have made their minds, is backing Forza Italia."

The sudden impact of Mr Berlusconi owes something to his novelty value at a time when Italy's traditional parties have collapsed and their leaders have been discredited by corruption scandals. He is a



Berlusconi: a household name, but still a genuinely new face

genuinely new face even if he is a household name because his Fininvest media group controls 55 per cent of commercial television. The secret of his success is the way he has exploited his wealth and his media outlets with sophisticated marketing to launch himself and Forza Italia. It is no accident Mr Lasagna should be campaign manager. He headed Saatchi and Saatchi's

Italian operations and has stepped down to act unpaid as co-ordinator and image maker - what he cheerfully describes as "panic manager". In the month since he decided to run for parliament, Mr Berlusconi's three national channels and the host of local television stations he controls have been reaching into the homes of more than 40 per cent of Italians. Screens have been

flooded with spots of a smiling Mr Berlusconi promising in his soft Milanese voice a "new Italian miracle". Calling himself a liberal, he says he has entered politics to prevent the left-dominated by the former communist Party of the Democratic Left (PDS) - from running the country. He promises to create jobs, stimulate economic recovery and lower taxes.

Although Mr Berlusconi's opponents criticise his platform as over-simplified and dangerous demagoguery, he has found an audience and he knows how to charm. In his student days he worked as an entertainer on a cruise and has made a lot of money out of popular entertainment. He and his advisers calculate many people are unashamedly middle-brow, confused by the collapse of the old political order and take comfort in the role model of a wealthy self-made man.

He also is not the innocent he looks. To survive and succeed in business, he had to fight through the political jungle and his ambitions have been maturing for a good year. He began setting up a series of Forza Italia clubs last September, each with a nucleus of 50 people and self-financing through their own contributions and subsequently interlinked by computer. These were modelled on the experience of his AC Milan football

supporters' clubs (hence the name Forza Italia - the cry of Come On Italy).

Mr Berlusconi had intended the entire club network to be placed at the disposal of the centrist movement of Mr Mario Segni, the former Christian Democrat referendum leader. However, the two could not see eye to eye and late in the day Mr Berlusconi decided to use the clubs directly himself.

Without Mr Segni, Mr Berlusconi turned for political support to the populist Northern League of Mr Umberto Bossi in the north and in the south to the National Alliance, the renamed neo-fascist MSI movement of Mr Gianfranco Fini.

This coalition of forces is now crudely defined as a right-wing alliance, facing the PDS-dominated Progressive alliance on the left and a ramp in the centre made up largely of the former Christian Democrats regrouped in the Popular Party (PP) and Mr Segni's Pact for Italy.

Now that the campaign proper has begun, strict rules apply on electoral propaganda. "For us the campaign in a sense has ended," says Mr Lasagna. Mr Berlusconi has limited access to his trump card, his own media. He must now shake hands and hold public meetings, with more than 60 per cent of voters undecided, according to a poll yesterday, the real battle is only just beginning.

West seeks to move quickly on Bosnia confederation plan despite pitfalls

# Moslem-Croat ceasefire raises hope

By Judy Dempsey

US, United Nations and European Union officials want to forge ahead with the peace process as Bosnian Croat and Bosnian Moslem armies today begin withdrawing artillery and other weaponry from central Bosnia.

If the ceasefire holds, officials will help both sides negotiate a confederation aimed at ending the war in one part of Bosnia.

The proposed confederation envisages the Bosnian Croat and Bosnian government incorporating territory westwards and northwards of Sarajevo, the Bosnian capital. The status of Serb-held territories in eastern Bosnia is being left to sepa-

rate negotiations. One of the strengths of the proposed plan gives Croatia and the Bosnian government a (face-saving) rea-

**'Each side hates the other so much I cannot envisage Moslems and Croats living side by side in Mostar'**

son for ending their conflict in one part of the republic. At the same time, the US will be able to support the plan - and the Bosnian government - providing a pretext for Washington not to commit ground troops once a peace settlement is signed.

"If both sides agree to the confederation, the peace settle-

ment could be more benign and require fewer peacekeepers," one western diplomat said. However, another diplo-

mat disagreed: "Any ceasefire and peace will require tens of thousands of peacekeepers."

However, the western diplomat agreed that the plan would entail transfers of population. "Each side hates the other so much. I cannot envisage Moslems and Croats living side by side, for instance, in Mostar, in the near future." The idea of a

confederation has re-emerged for several reasons. First, Croatia longs for peace, even though President Franjo Tudjman still harkens after his Greater Croatia. The threat of sanctions against Zagreb by the US and some EU countries has also played a role.

Second, Mr Haris Silajdzic, the prime minister of Bosnia, believes the confederation could give the Moslems access to the sea, and viability as a state.

Third, the plan could be sold to the Clinton administration because, theoretically, it is seen as preserving some of the territorial integrity of Bosnia and that relief flights can begin by March 18. This timetable now appears to have slipped.

fer of populations and the need for troops on the ground.

Above all, it depends on how the plan is perceived by President Slobodan Milosevic of Serbia, who after all, holds the key to peace in Bosnia.

A French defence minister François Léotard yesterday expressed impatience that UN forces had not moved quicker to reopen Tuzla airport for relief supplies to northern Bosnia, writes David Buchanan in Paris. The UN plan has been to start sending air traffic specialists on March 7 to the Moslem-held airport, which has been closed for nearly two years by surrounding Serb forces, so that relief flights can begin by March 18. This timetable now appears to have slipped.

By Karin Hope in Athens

Mr Hans van den Broek, EU foreign affairs commissioner, returned to Skopje yesterday, claiming some progress on his shuttle mission aimed at persuading Greece and Macedonia to resume talks in their dispute over the former Yugoslav republic's name and flag.

The Dutch commissioner said after a meeting with Mr Carolos Papoulias, Greek foreign minister, that there "were a number of positive points" to be relayed to Mr Kiro Gligorov, the Macedonian president.

The EU mediation effort has been welcomed by Greece, which maintains that its European partners have not been

supportive enough in the two-year dispute with Macedonia.

Greece's decision last week to impose a trade embargo on Macedonia, which appears to violate Treaty of Rome requirements on EU trade, is seen as a way of involving the EU in the dispute while at the same time putting pressure on the Skopje government.

Mr Gligorov, in a letter to the Greek prime minister, repeated his offer to sign a treaty guaranteeing the border with Greece, proposing that it should also be guaranteed by the EU. This would rebut the Greek demand that Macedonia's constitution should be changed on the grounds that it includes a territorial claim on

the adjoining Greek province of Macedonia.

Mr Gligorov called for talks to resume immediately under UN auspices, warning that the trade embargo would "provoke undesirable consequences for peace and stability in the Balkans."

However, the letter made no mention of Greece's demand that Macedonia should change its flag, in recent weeks the most prominent issue of the dispute.

Macedonian officials privately admit that the flag, carrying a starburst symbol associated with the ancient Macedonian kingdom of Alexander the Great, could be considered provocative.

# Sweden's polar region thaws over EU deal

Opposition to European Union membership is softening as the deadline for agreement approaches, writes Hugh Carnegy

"This," said the aide to Sweden's conservative Prime Minister Carl Bildt as he flew into the Arctic, "is an away match."

Heading for the small town of Gällivare, 50 miles inside the polar circle, to campaign for Swedish membership in the European Union, Mr Bildt was braced for a reception as icy as the sub-zero winter weather.

The area, like most of Sweden's far north, is both a bastion of support for his chief political opponents, the Social Democrats, and of hostility to the EU.

In the event, little stirred in the two meetings hosted by Mr Bildt - one of about 400 school students, the other a town

meeting of 150 people. Even the prime minister's assertion that "We are part of Europe - we cannot clip ourselves out of the map" drew sceptical questions rather than discernable enthusiasm.

A series of opinion polls in Sweden and neighbouring Finland and Norway suggest that opposition to joining the union is softening, just as negotiations with Brussels on the terms for membership come to the crunch - the deadline set for completion is March 1.

The latest polls in Finland reflect the fear of rising nationalism in neighbouring Russia, with opposition faltering, to as low as 30 per cent, and support above 40 per cent.

The prime ministers of Finland, Norway and Sweden meet today in Helsinki to co-ordinate their positions before sending negotiators to Brussels for the weekend's make-or-break talks on their terms for entry to the EU, writes Hugh Carnegy in Stockholm.

Stockholm has hinted it would consider moving ahead to signing an accession agreement even if one or all of its fellow applicants - including Austria - were not ready to do so next week. But Mr Carl Bildt, the prime minister, said he was anxious the Nordic countries should reach agreement simultaneously.

A series of negotiated decisions in December, on issues such as preserving high local environmental standards, have seen support for membership in Sweden strengthen to more than 30 per cent, with the "no" side slipping to 40 per cent. And in Norway, opposition has fallen below 50 per cent for the first time in months, with sup-

port rising to above 35 per cent. All three countries - along with fellow applicant Austria - have promised a referendum later this year to decide the issue.

On the flight back to Stockholm from Gällivare, Mr Bildt was reluctant to interpret his placid reception as a sign of

shifting opinion, but he did believe feelings had become less entrenched.

"They are now listening very carefully to the arguments - people are more accessible than before - but there is still a long way to go," Mr Sten Birger Grundström, headmaster of the Gällivare school visited by the prime minister, said he felt opposition among his pupils - many of whom will be old enough to vote in the referendum - was weakening. "As they learn more they become less hostile."

Opposition to membership swirls around a number of issues in Gällivare. Will the remote areas lose out on the generous regional

and agricultural subsidies they have enjoyed? Will national sovereignty be undermined? Will foreigners flood an overcrowded job market and tourists trample the countryside? Will the Nordic way of life - the welfare system - be dismantled at Brussels' behest?

Mr Grundström says for young people, facing 30 per cent youth unemployment in parts of Sweden and Finland, much depends on the health of the domestic economy. "This definitely influences them on the EU question. They link it to the other things they are unhappy about, such as unemployment. If the economy really improves, as it looks like it will this year, then so will

opposition to the EU fall."

A lot will turn on whether the applicant countries win accession agreements over the next week which they can present as favourable. Even then, there are plenty who remain adamantly opposed to membership.

"The EU is about centralisation of power," declared Ms Mona Larsson, a former hotel administration manager in Gällivare who is now unemployed. "Brussels will get stronger and stronger, it is inevitable. The EU is like a ship being built in sections. Soon it will be put together and it will be controlled by the bridge. It is better that Sweden stays independent."

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# Euromarket Award to BSERM - Bashkir specialized exchange of raw materials-UFA, Russia

By Juan de la Roca

When Mr Boris MALIADSKI received the E.M.R.C. "Euromarket Award" on behalf of Bashkir Specialized Exchange of Raw Materials Ltd (BSERM), it signified the modernization of commodity trading in Russia.

Russia is one of the largest suppliers of raw materials in the world. It produces approximately 12 million barrels of oil a day; half the produce of OPEC countries. It has vast reserves of nickel, copper, coal, gold, platinum etc. The area of Russia is equal to one sixth of the total land area of the globe and in this vast land mass there are reserves of raw materials unequalled the world over.

It is only natural that Russia should boast a raw material market of its own, something similar to the commodity markets of New York and London.

The importance of BSERM is that it has created a commercial centre where oil

and its products can be traded freely. Mr Boris MALIADSKI, the driving force behind BSERM, is very optimistic on future developments. "The founding of BSERM more than a year ago is ample proof that after 70 years of a centralized and planned economy Russia is catching up." It appears that they are catching up fast.

at 15.40 billion roubles. MALIADSKI modestly attributes this dramatic growth rate to the richness of Russia in particular and the CIS in general, but this modesty is misplaced. The fast growth of BSERM is based on the innovations introduced by MALIADSKI and his managerial team. They made use of Russia's vast potential as an oil producing country to create a system of trade which facilitates trade between the parties. They have made use of the latest electronic state of the art wizardry to create a unique trading system, something completely new in the CIS, a computerized bid system similar to that used in financial markets in Western countries.

BSERM is also making use of sophisticated trading techniques developed in the West such as forward trading, future contracts and spot trading.

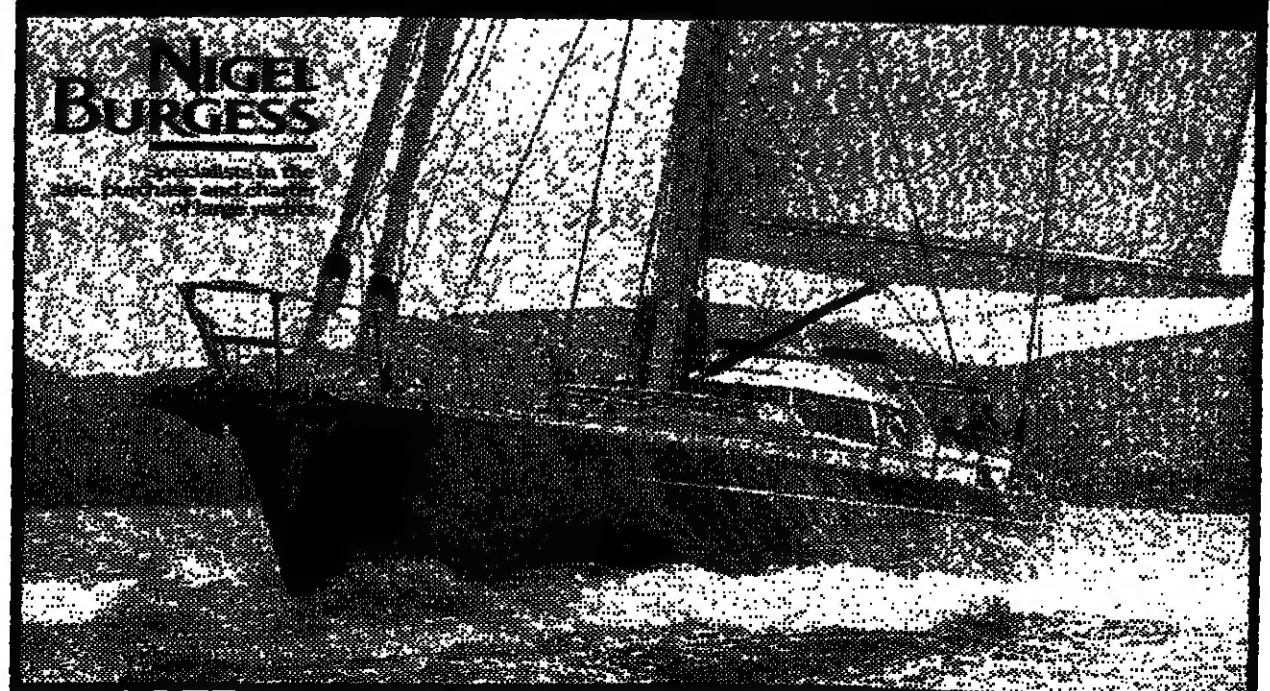
BSERM is seen in the who-

le of the CIS as of vital importance to the development of oil trade in the area. BSERM can well become a large and modern commodities exchange in all sorts of raw materials which are mined or found in Russia.

BSERM's success is also due to the sympathetic attitude of the present Russian administration to private enterprise. MALIADSKI doesn't mince words on this matter. "We owe our success in no small part to the sympathetic attitude of the Government in Moscow. They do not interfere in the free market we are developing in oil and other raw materials. They are helping us in every possible way. The Government's overall economic policy favours private enterprise."

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# Firm Yeltsin line offers little joy for west

Russia needs a stronger state, the president told deputies yesterday. John Lloyd assesses the new mood in Moscow

President Boris Yeltsin, saying he mounted the podium before the parliamentary deputies "with a special feeling", yesterday sought to define a task which could engage all political forces in a common effort - the strengthening of the Russian state. This was the theme of his 50-minute speech which, constitutionally, defines the bounds within which government should work. Long-awaited, once delayed, the speech was the first major utterance from the president since the December 12 elections gave extreme right and left parties a large share of the legislature. In choosing the need to strengthen the state as his central message, he stole some clothes from the new forces - at the cost of appearing harder on foreign policy and of sounding largely incoherent on economic policy.

His proposition was that everyone would benefit from a stronger state: the citizens worried by crime; the reforms which

needed regulation; even the former Soviet states which needed a strong Russia to "guarantee their stability". The process would be achieved on the basis of the new constitution - the one indisputable victor, he claimed, from the December elections it was approved by a majority of those voting, but only 33 per cent of the electorate. The tone never resorted to the promises of speedy improvement which marked his speeches over the past two years; instead, it was sombre, even pessimistic. He emphasised the unrestrained growth of a corrupt and inert bureaucracy; the lack of a market economy working within agreed rules; the ignoring of laws and civil behaviour; a "new estrangement of the government from the people".

On economics he sounded most like the Yeltsin of old. He said again reform must continue, and deepen; that the struggle against inflation remained at the heart of his policy (and that he would even invoke

constitutional presidential powers to bring it down - but did not define how). In a tone of exasperation - one of the few times his even, strong delivery showed some variation - he asked: "What's stopping us making a brief outline of a range of strategic industries, highly competitive on the world market and socially significant for Russia - the more so since experts say this is not more than 10 per cent of Russian enterprises. It's just these plants to which we should give normal state aid in the next few years." Mr Yeltsin wants some winners picked: that assumes he wants some losers lost.

However, he was immediately at pains to reassure the deputies and the population that he is concerned about the consequences of reform. "The task," he said, "is to find a sensible relationship between the speed of reform and of the social sacrifice for it." He exhorted his ministers not to forget the poor for a minute, and said that

while a range of industries and citizens must be supported, the tax burden must be cut back.

On foreign policy - the subject Mr Vladimir Lukin, of the ultra-nationalist Liberal Democrats has made his own - he was tough. A central passage called on the foreign ministry, already taking a much harder line than before, to stop making concessions to neighbouring states and the wider world. He said: "We have a lot of evidence that our fellow countrymen are being discriminated against. Russia's duty, in deeds, not in words, is to put an end to these practices. If we are dealing with violations of legitimate rights of Russians, this is not the exclusive internal affair of some other country, but our own, exclusive, state affair."

This could be threatening and was meant to sound so. To move to "deeds" could mean anything - from economic sanctions, to a refusal to move troops from

the Baltics, to military action. It is not comforting that Mr Yeltsin describes as "lacking resolve" a foreign minister who refers to "ethnic cleansing" of Russians in the Baltics, and who suggested Russian troops stay there indefinitely.

Finally, he was curt on Nato expansion: "This is the path towards a new threat for Europe and the world. Russia is not a guest in Europe, but a full participant in the European community with an interest in its well being."

It is a speech which - in the aftermath of the Ames spy revelations in Washington, the anger Russia expressed over Nato's ultimatum to the Bosnian Serbs and its action in springing to their defence - will produce little joy in the west. It is the programme of a man who is manoeuvring between political shoals, and who can no longer afford to expose his patriotic flank. The question is: how far does this go in practice?



Yeltsin yesterday: firm on foreign affairs, largely incoherent on economic policy

## NEWS IN BRIEF

### Retailers told to prune operations

The German cartel office ruled yesterday that Karstadt and Herta, two of Germany's biggest retail groups, must prune their operations before merging, writes Ariane Genillard in Bonn. The two retailers must dispose of four operations in audio equipment to avoid having "excessive market positions" in Berlin, Hamburg, Munich and Schleswig-Holstein. The two companies will also have to loosen their hold on retailing in Berlin, where they have 16 stores. The cartel office said market positions in home textiles, perfumes, cosmetics, audio equipment and toys would have to be decreased to "a level not harmful to competition." Karstadt, Germany's biggest store chain with 1992 sales of DM20.6bn (\$26bn), plans to buy Herta Waren and Kaufhaus for DM2.7bn.

### French pension reform delayed

Reform of the French pension system, due to be presented to parliament in the spring, is likely to be pushed back to the autumn, the economy ministry said yesterday, writes John Ridd in Paris. It said the expected delay reflected the time needed to study the various proposals for the introduction of capitalised pensions to complement the existing "pay as you go" system. But it may also reflect concerns that the creation of private pension funds could discourage consumption and hamper efforts to revive the economy by stimulating private consumption. Economists believe the introduction of private pension funds would increase savings and hence reduce spending.

### Engineering workers stage protest

Almost 300,000 engineering workers took part in token strikes and mass rallies across Germany yesterday, in a bid to bring their employers back to negotiations over their pay claim, writes Quentin Peel in Bonn. The mass day of action, the biggest so far in the wage round, was part of deliberate pressure by the engineering trade union, IG Metall, before a strike ballot is held in the state of Lower Saxony next week. The action coincided with the third round of pay talks for 3m public sector workers, in which the federal, state and local government employers are insisting on a pay freeze. The public sector unions want a 4 per cent pay rise to keep pace with inflation.

### 'Room for lower German rates'

Bundesbank board member Mr Edgar Meister said he saw room for further declines in German money market rates following the central bank's discount rate cut last week. "We still do not have a normal interest rate structure," Mr Meister said. Inflation of around 2.5 per cent in the past six months, and expectations that it would stay below 3 per cent provided room for the rate cut.

### Boeing engine mountings blamed

Faulty engine mountings probably caused the October 1992 Amsterdam air disaster which killed 47 people. The Netherlands Aviation Safety Board said the design and certification of the Boeing 747 pylon was found to be inadequate to provide the required level of safety. Boeing has already started equipping the 747 fleet with stronger engine mountings, one of the report's recommendations. The El Al Boeing 747 cargo plane lost two of its four engines and crashed into an apartment block.

### French try to hook fish-eaters

France launched a FF10m (\$1.14m) campaign to persuade consumers to eat more fish, a concession to fishermen who staged a violent strike earlier this month. The campaign is partly funded by the European Union. Radio advertisements depict French fishermen as unsung heroes, bringing home the fish after a night at sea. EU and other trading partners have accused France of bending international trade rules by imposing lengthy border checks, stringent veterinary controls and minimum prices on imported fish.

### Romanian left spurns right

Romania's ruling minority left-wing party dropped a plan for coalition with ultra-nationalists after signals it could damage relations with the west. The ruling Party of Social Democracy's leadership had decided to break with its former ally, the anti-Semitic Greater Romania Party. The nationalist group took 4 per cent of seats in elections 18 months ago.

### France trims interest rates

The newly-independent Bank of France cut its interest rates for the first time yesterday, shaving 10 basis points from its intervention rate to 6.1 per cent. It said the cut was in line with a policy of maintaining the stability of the franc over the medium term. The cautious cut reflected the bank's efforts to entrench its credibility in fighting inflation. Shares slid as dealers decided the interest rate cut was only a symbolic move after last week's rate cut by the German Bundesbank. The CAC-40 index of the most widely traded shares lost nearly 2 per cent to 2,908, but ended above the day's low.

Sweden's state budget deficit is forecast at SKR209bn in 1993-94. Its borrowing requirement in the year to June 31, is estimated at SKR257bn.

Italy's industrial producer prices rose 3.7 per cent in the year to December, and wholesale prices were up an annualised 3.9 per cent. The trade surplus rose to L2,420bn in December, and to L10,880bn for the whole year.

Switzerland's current account surplus last year rose to SF27.6bn from SF21.15bn. It rose in the last quarter to SF7.6bn from SF5.25bn in the third.

Industrial output in the Czech Republic fell a preliminary 5.3 per cent last year and construction output fell 7.5 per cent. Retail sales rose 1 per cent.

A surge in domestic demand boosted orders for manufacturing industry in eastern Germany by 7.3 per cent in December compared with November. Orders rose an annualised 6.7 per cent in December.

## Moscow set to resume gold swaps to finance deficit

By Leyla Boulton in Moscow

Russia is negotiating to resume gold swaps for the first time since the Soviet Union's collapse in order to help finance its budget deficit, a government official said yesterday.

"Such questions are now being examined because a swap is more favourable for us than a straight sale of gold," Mr Yevgeny Bychkov, head of Russia's Precious Metals and

Stones Committee, said. "We are looking at different proposals to choose those most acceptable to Russia."

But although he did not give details of the negotiations, he said the authorities did not have that much gold to offer. The government's reserves, which were held by its committee, totalled 177.8 tonnes while those of the central bank amounted to 128 tonnes.

Out of those amounts, the government needed 50 tonnes for jewellery production and industrial uses, and "much less" than an initially planned 100 tonnes to redeem a finance ministry gold certificate which falls due in September. One western gold analyst said a gold swap would be worthwhile for Russia only if it involved at least 100 tonnes, raising around \$1bn. He said he believed that Russia would get

much harder terms than a few years ago because it was perceived as a much worse credit risk than before.

"It's like going to a pawn shop. If the guy in the pawn shop sees you coming several times he will give bad treatment. Since it is possible they will be offering less than 100 tonnes, they might as well sell it."

Mr Bychkov expected Russia to mine 156.9 tonnes of gold this year, compared to 149.5 tonnes last year

and 149.1 tonnes in 1992. He said Russia would set up a gold bourse this year as part of plans to liberalise the domestic gold market. Procedures were now being developed for implementing a decree issued by President Boris Yeltsin last December, allowing banks to apply for licences to deal in precious metals. The decree also allowed foreign investors in gold mining projects to recoup their investment in gold.

If you can't make it to the end of the test, your company may not make it to the end of the decade.

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1. Do you have a customer service strategy as you want?

☐ Yes ☐ No

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2. Are your customers as loyal as you want?

☐ Yes ☐ No

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3. Do you generate a much business from each customer as you want?

☐ Yes ☐ No

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4. Do you really know what your customers want?

☐ Yes ☐ No

Are you asking every product your customers could desire? Every service that might interest them? Every suggestion they're prepared to make? Every idea they'll allow you to follow through? Are you thoroughly plugged into your market?

5. Does your entire organization know what your customers want?

☐ Yes ☐ No

A company's reputation has limited value unless it's embedded in the very heart of an enterprise - at all levels, in every place that directly or indirectly touches the customer.

6. Is your information strategy focused on helping you know what customers and markets are doing to sell you?

☐ Yes ☐ No

The single best thing to reading your customers' minds is listening to what they're saying. But unless you're constantly tuned in to customers' signals, you're missing messages that could guide you to greater results for your business.

7. Can your organization respond quickly to what customers and markets are telling you?

☐ Yes ☐ No

When the flow lines of your information system are not within your customers' reach, you won't always sense when opportunity knocks. But even if you do, getting the message is not enough. If you can't quickly respond to market signals with information, products and services, revenue opportunities are lost.

8. Does your information strategy enable the proactive delivery of information to your customers?

☐ Yes ☐ No

Many business plans underestimate the power of information to build customer relationships. But imagine the advantages of an information technology strategy that transforms information into customer-generating, revenue-generating fuel.

9. Are the full capabilities of your organization accessible to your customers at all your field locations?

☐ Yes ☐ No

An office. A branch. A retail site. To a customer, that's your company. One small part of the whole. Which is why you need to leverage your entire organization by extending its capabilities to each point of customer contact.

10. Does your information strategy reflect the bottom-line importance of customer service?

☐ Yes ☐ No

Business is built on customers. Without them, there is no bottom line. Government is also built on customers, the public. And whether you're in the business of commerce or the business of government, an objective of an information strategy is more fundamental than enhanced customer service.

The Bottom Line. If you answered No to any of these questions, you're not yet customized. But you might well agree that this simple test suggests the enormous advantages of becoming customerized. And as the leader in customizing business and government, Unisys will work with you to provide the answers you need.



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A double event has made Beijing's regaining the colony harder though no less sure

## Two stones roll into China's path to HK

LegCo may have scored a victory in a war destined to be lost, Simon Holberton writes

Until this week it was possible to argue that developments in Hong Kong were moving in China's direction. Opinion polls showed people getting bored and frustrated with the bickering about politics. Governor Chris Patten's popularity showed signs of slipping. There was even talk of defeat for Mr Patten in an important vote in the local legislature.

But two things have changed this outlook and made China's recovery of Hong Kong in 1997 no less certain, but seemingly more difficult. The first was Wednesday's vote in the Legislative Council (LegCo) on the first stage of Mr Patten's plans to broaden democracy in the colony; the second, the publication of a disturbing report about attitudes to China held by the colony's senior civil servants, virtually all of whom are ethnic Chinese.

Contrary to expectations, Wednesday's vote showed the margin of support in LegCo for Mr Patten's democracy plans had increased. Excluding the three officials who had to vote Mr Patten's way, the majority in favour of pushing ahead rose to 10 from 8 members of the 60-strong assembly.

This increased margin may prove a useful cushion to Mr Patten when LegCo comes to debate his second political reform bill to be published today. In the face of Chinese opposition, this bill seeks to broaden the democratic franchise for 40 of LegCo's seats at present subject to restricted votes.

The significance of Wednesday's vote was that China had drawn a line and Hong Kong's local politicians collectively crossed it. China had said, and it repeated it yesterday, that it would repudiate whatever LegCo decided because no agreement between Beijing and London had been reached on the conduct of Hong Kong's elections this year and next.

LegCo ignored the warning and defied Beijing.

This defiance may prove no more than an early victory in a war LegCo is destined to lose. China is viscerally opposed to what Mr Patten is doing; it views any attempt to lay down the roots of western democracy in Hong Kong as Britain's way of perpetuating colonial rule. It also holds the cards.

Beijing is busily working on

Hong Kong stock prices tumbled yesterday after Governor Chris Patten told legislators he would press forward with electoral reform against China's opposition, Reuters reports.

The Hang Seng index fell 331.21 points, or 3.48 per cent in thin trading, to 10,432.02. But more than half the loss came before Mr Patten made his announcement that he would publish the final and most controversial portion of his reform package today.

Investors have been hanging on to every twist and turn in Sino-British relations leading up to the colony's return to China in July 1997.

The Hang Seng index is now more than double its level of late 1992.

the "second stove", its term for Hong Kong's political structure after 1997. The Preliminary Working Committee (PWC), a group of 57 mainland officials and Hong Kong plutocrats, has been charged with designing this structure. The PWC is at present meeting in Beijing to discuss the future structure of Hong Kong's executive branch of government; by July it plans to have concluded its work on the political structure.

The hope expressed by British officials is that by the time China resumes sovereignty over Hong Kong it will see that the result of LegCo's 1995 polls pose it no threat. As Mr Jimmy McGregor, an independent

democrat, put it on Wednesday: "What may be impossible or difficult for China to accept today may be less so in three years' time."

Possibly. But Hong Kong's senior civil servants do not appear to think so. An academic survey of attitudes to 1997 held by the 1,000 top managers of the colony's 130,000-strong civil service lays bare a crisis for China in the making. The civil service, one of Hong Kong's prized elite institutions, is often credited with providing the foundation for the colony's remarkable economic success. Members of the directorate, as the top echelon is known, are recruited from the cream of the colony's educational institutions.

According to Dr Jane Lee, a co-author of the study and a member of the department of public and social administration at the City Polytechnic of Hong Kong: "The civil service in Hong Kong is valued for its efficiency and rationality; it is seen as incorruptible."

"Even though the government is not elected, it enjoys a high degree of legitimacy because of the civil service." Yet her survey found a third of top civil servants said they plan to leave government administration before 1997; another 30 per cent were undecided. "Strong resentment exists against political interference from China. A sense of impotence is evident among senior bureaucrats," she and her co-author Prof Joseph Cheng said in the report.

Senior civil servants have moved to protect themselves by taking out foreign nationality; 77 per cent have a foreign passport. In doing so, they have effectively disbarred themselves from senior positions after 1997. When China resumes sovereignty, top officials will not be permitted to have the right of abode outside Hong Kong.

'95 FULL DEMOCRACY



Hong Kong pro-democracy activists back the promise by Governor Chris Patten (below right) to deliver a new political reform bill for the colony; Shen Guofang, (bottom left), Chinese Foreign Ministry spokesman, says such unilateral action would slam the door on further talks



## British officials regret lack of co-operation

By James Blitz in London

British Foreign Office officials yesterday regretted that the Chinese leadership had not co-operated in moves to proceed with electoral reform in Hong Kong. But they said that they could wait no longer before introducing a new round of legislative reform in the colony.

A Foreign Office spokesman said that the UK had made "strenuous efforts" to proceed on the basis of an agreement

with the Chinese government on electoral arrangements. He said that the UK had offered revised proposals in the course of the talks, conditional on reaching an overall acceptable package. "Our door has been open all along for discussion with the Chinese leadership," the spokesman said. "It will remain so." But he claimed that it was necessary for the Legislative Council to begin work on the second Bill as soon as possible, since all primary legislation needs to become law

in Hong Kong by the summer recess.

The British government also regretted the Chinese leadership's speedy dismissal of the proposals. They stressed the proposals were compatible both with the Joint Declaration made by the UK and China and with the Basic Law, its post-1997 constitution for the territory.

Officials said that it was in China's interests to acquire a "successful Hong Kong" when they assume responsibility for it in 1997.

## Angry Beijing vows to sack elected councils

By Tony Walker in Beijing

China's reaction to the passage of the partial electoral reform bill through Hong Kong's Legislative Council was fast and furious.

Accusing Britain of slamming the door on further negotiations over Hong Kong, Beijing said it would sack representative bodies elected in the last days of British rule, giving the clearest indication of actions planned when it resumes control of Hong Kong at midnight on 30 June, 1997.

Britain had "completely" closed the door on further meetings; "The British side should be held fully responsible for ruining the talks," the official statement said.

Previously, China had said it was willing to resume discussions if Governor Chris Patten withdrew his reform bill, but repeatedly warned passage of the bill would lead to a complete breakdown of negotiations. "As component parts of the British political body administering Hong Kong", elected bodies including the Legislative Council would "definitely be terminated" in 1997.

It complained that Mr Patten's plans to introduce a more substantial bill to LegCo today, including remaining elements of his reform package, Beijing was further angered by Britain's decision to make public the contents of its 17 rounds of secret talks on the Hong Kong issue.

Mr Patten's second and more radical bill, due to be published today, aims further to extend democracy in Hong Kong by broadening the franchise for representative institutions such as LegCo. Beijing claims these measures contradict prior Sino-British agreements on Hong Kong's transition to Chinese rule enshrined in the Joint Declaration of 1984 and the 1990 Basic Law, or colony's post-1997 constitution.

China's critics say it fears the development of independent-minded democratic institutions in Hong Kong because they might serve as a model for mainland democracy activists after 1997. China is now likely to step up its own preparations for assuming control of Hong Kong, and in the process seek to undermine Mr Patten's authority in the last years of British rule.

UK-China talks on practical issues such as the financing of a much-needed new airport have bogged down because of deteriorating Sino-British political relations. In its statement, China referred to a new "political body of the Hong Kong Special Administrative Region" that would replace LegCo. Exactly when this would occur was not clear.

Beijing has been exerting pressure on Hong Kong Chinese involved in the debate over the colony's future. It has repeatedly accused Mr Patten of seeking to perpetuate UK colonial interests.

Yesterday's developments came amid signs that British MPs are increasingly uneasy about Hong Kong's future. A survey by an organisation called Access Opinions showed that not a single MP was "very confident" that the Chinese would respect the constitutional arrangements currently being set up under Mr Patten's direction. It showed that 54 per cent of MPs were "not very confident" and 37 per cent "not at all confident" about the outlook for the colony under Chinese rule.

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IBERIA



## India urged to press on with reforms

By Stefan Wagstyl  
in New Delhi

India must press ahead with further economic liberalisation, trade reforms, cuts in subsidies and reductions in public borrowing, according to the government's annual economic survey published yesterday.

Without more economic reform, the country risks losing the hard-won gains of the recent past, the report presented to parliament by Mr Manmohan Singh, finance minister, warns.

The report sets the outlines of the government's economic plans for the financial year starting in April. Its detailed plans will be made public when Mr Singh presents his budget on Monday.

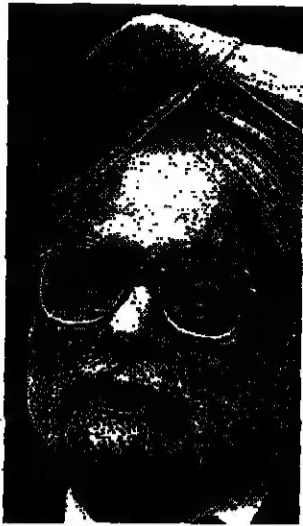
Investors welcomed the report, prompting a rally on the Bombay Stock Exchange, where the 30-share index rose 103.55 points to 4132.33, close to recent highs.

The report estimates the economy will grow only 5.8 per cent in the year to the end of March, down from 4 per cent the previous year and well short of the target of 5.6 per cent. Agricultural output is set to decline slightly, following a record performance the previous year.

Industrial production, which fell sharply when India embarked on reform in mid-1991, is recovering far more slowly than anticipated, growing just 1 per cent in the first seven months of 1993-94. But the authors note signs of recovery in recent months, notably in the consumer goods industry.

The report blames industry's disappointing performance partly on the unrest which followed the destruction of the Ayodhya mosque and partly on continuing uncertainty about the impact of reform, which has eroded investment and hit capital goods producers hard.

The survey highlights the country's export performance as "the most striking evidence of progress," noting a 19.9 per



Manmohan Singh: warnings

cent rise in exports in dollar terms in the nine months to December. With imports weak, because of poor demand for capital goods and low oil prices, foreign exchange reserves have soared to \$10.9bn (\$5bn) this month and should reach \$12bn by the end of March. The current account deficit should fall to just 0.5 per cent of the economy, the lowest in 15 years.

The strong current account performance has encouraged more foreign investment than expected. The combined flow of foreign direct investment, investment in the stock market and in paper issued by Indian companies overseas should reach \$2.5bn in 1993-94, up from \$390m last year.

Weak imports have hit government revenues by depressing customs payments. With spending also higher than expected (due to extra subsidy hand-outs), the government's borrowings have climbed far above targets.

The fiscal deficit will be "substantially higher" than the target of 4.7 per cent, the report, though it gives no figure. The deterioration in the fiscal position remains "the principal cause of macro-economic concern."

## Israeli minister expects further drop in jobless

By David Horowitz  
in Jerusalem

Unemployment in Israel fell to 9 per cent in the final quarter of 1993 - giving a full year average of 10 per cent, compared with 11.2 per cent in 1992.

The improvement was hailed by Mr Avraham Shochat, Israeli finance minister, as vindication of the Labour government's economic policies. He predicted a further fall in the jobless rate in 1994 to about 9 per cent.

The figures, released by Israel's Central Bureau of Statistics, showed that 101,000 new jobs were created in 1993, an increase of more than 5 per cent over the previous year.

Analysts attributed the fall

in jobless totals to three factors:

- An increase in Israel's gross domestic product;
- Israeli workers in the building trade have replaced many of the 50,000 Palestinians from the occupied territories no longer permitted entry into Israel;
- The slowdown in immigration from the former Soviet Union.

From a low of 6 per cent in 1987, unemployment had been growing steadily until last year, fuelled by the arrival of hundreds of thousands of Russian Jews.

A new report issued by the Treasury, meanwhile, predicted 5.6 per cent growth in Israel's GDP for 1994 - a revision of the 5.3 per cent prediction in the budget last October.

## 'More to Japan-US relations than targets'

There is too much at stake, Tokyo's senior foreign ministry official tells William Dawkins

Japan's senior foreign ministry official yesterday warned that the US-Japan trade row, if mishandled, could harm one of the world's most important bilateral relationships.

"If badly handled... those trade issues have the danger of affecting our overall relations," warned Mr Kunihiko Saito, vice-minister for foreign affairs.

He was "quite embarrassed and even worried" by the Japanese press applause for prime minister Morihiro Hosokawa's refusal to accept US demands for a fixed target for a decline in Japan's record trade surplus. Japan had turned down US demands before, in negotiations on fishery and aviation rights, and Mr Saito did not

wish the government to be thought to have become assertive towards the US.

"We failed to reach agreement on only three specific areas in all the many aspects of our relationship... so we should not lose sight of the vast perspective," said Mr Saito, in an interview in which he showed a sharp contrast to the bombastic recent line taken by US officials.

Mr Saito admitted that the row had caused some damage and that Washington appeared to be "mainly interested in improving trade relations with Japan" at a time when Tokyo was trying to reduce the weight of economic interests on its overall foreign policy.

"We are getting more and more aware that we cannot

continue to pursue only an economic role for ever and we have to try to meet expectations held by the rest of the world," he said.

Despite the dispute, Japan believed its US relationship was "essentially sound" and accorded more importance than ever to keeping close links with Washington, not least because of its value as the guarantor of security in Asia, he said.

"Japan depends on the US for its defence... Although the Cold war is now over, the potential threat to our security continues to exist and we have no wish whatsoever to develop our military capability. All Asian countries, particularly

members of Asean (the Association of South East Asian Nations) think that that the US-Japan relationship is essential for the safety, security and prosperity of the whole region. In that sense, Japan and the US have a responsibility to try to remain friendly," Mr Saito said.

Whether the US continued to place such importance on Japan since the collapse of the Soviet Union was one of the most uncomfortable questions facing the Tokyo government's foreign policy planners.

There may be "a few people" in the US government who did not share Japan's view of the paramount strategic value of the relationship, Mr Saito feared. "We hope that the number of these people will not

increase in the future. Perhaps we need more efforts now than at the time of the Cold war to convince the Americans of the importance of our bilateral relations," he said.

Mr Saito drew a distinction between Japan's unchanging desire for close co-operation with the US and its preparedness to alter policies towards other countries, in the light of post-Cold war changes. "Of course we have introduced some adjustments in our relations to other countries, but with the US we will be happiest if we can maintain our former relations," he said.

Despite the risk of the dispute spilling over to other aspects of US-Japan relations, the government planned to stand firm against numerical

targets. He understood why the US wanted to try new methods of reducing the Japanese trade surplus in the light of the failure of many previous attempts.

Accepting a precise target "may alleviate the present pressure but it will only postpone the problem one year or two years", said Mr Saito.

Other governments, not just the US administration, would be tempted to blame Japan for missing such a target and might then restrict Japanese imports on the pretext of helping Tokyo to meet the goal, he argued.

Japan would stick to this position, not because it was being assertive, said Mr Saito, but because it believed this was the right thing to do.

## Output falls by 4.5% in second year of decline

By William Dawkins in Tokyo

Japanese industrial output fell for the second year running in 1993, the longest decline since the aftermath of the 1973 oil crisis.

Production fell 4.5 per cent last year, an apparently encouraging slowdown on the 6.1 per cent decrease in 1992,

according to the ministry of international trade and industry.

However, stocks of unsold inventories continued to climb by 2.3 per cent, with a recovery of demand nowhere in sight, a MITI official said.

Output rose in the first quarter of last year, fueling recovery hopes, but then went into

an accelerating decline, with the final three-month period down 3.7 per cent compared with the same period the previous year.

Separately, sales at supermarket chains fell 1.1 per cent last month from January 1993, marking the 17th month of decline since September 1992. While the overall sales value

fell, the volume of goods sold rose last month as consumers hunted for the cheapest brands, according to the Japan Chain Stores Association said.

A glimmer of encouragement for the Japanese economy emerged yesterday in the form of a 23.8 per cent rise in steel exports last year. The rise, to a four-year

record of 23.5m tonnes, was mainly due to demand early in the year from China, the Japan Iron and Steel Federation said.

Property prices in the Tokyo area are showing signs of recovery, according to a survey by a private research firm, Reuter adds from Tokyo. Of 621 estate agents sur-

veyed on February 14, 9.0 per cent said land prices in the Tokyo area had risen from January, 55.5 per cent said they were little changed and the remainder said prices were declining.

The number of respondents who said land prices were falling dropped for the second consecutive month.

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## NEWS: WORLD TRADE

## Bid to balance pain and gain of Uruguay Round deal

## SA set to soften tariff blow

By Matthew Curtin  
in Johannesburg

A new South African government is likely to be in the enviable position of possessing a comprehensive, negotiated and revamped trade policy within weeks of taking office after the country's first non-racial elections in April.

Credit has to go to the foreign trade policy task force of the National Economic Forum, the tripartite representation of government, business and labour, which drew up South Africa's successful offer to the Uruguay Round in less than six months last year. Mr Michael McDonald, the chief business representative on the task force, says the NEF should be able to present a broad trade policy document to the government in June.

Mr Peter Sutherland, director general of Gatt, singled out the achievement of a unified offer for special praise during a visit to South Africa last week, clearly impressed at the workings of the "golden triangle" of government, business and the trade unions.

His message for his hosts was largely that of "no pain, no gain". South Africa, with a number of highly protected industries and one of the world's most cumbersome tariff structures, would find it tough to meet the requirements of the Uruguay Round, but the country was well placed to take advantage of new opportunities because of flourishing sectors such as agriculture which had barely started to tap their export potential.

Mr Sutherland's outlook is

borne out by research by the state-owned Industrial Development Corporation. Although it showed that the Round would lead to growth domestic product growth, with exports outpacing increases in imports, sectors like textiles and car-making, currently enjoying 100 per cent protection, would suffer a 4-5 per cent decline in employment as tariffs were reduced to 45-50 per cent.

The implications of the Uruguay Round for jobs have become the prime concern of the NEF given that a new government will be expected to tackle unemployment, estimated unofficially at 40 per cent. The clothing and textiles industries remain large employers with a combined workforce of about 190,000, despite thousands of job losses in recent years, on which some

communities are entirely dependent for their livelihood.

The NEF is sanguine about what needs to be done. Further job losses are inevitable, but the NEF is devising short-to-medium term subsidies to cushion the blow while an industry task force is finalising recommendations on restructuring the sector.

Mr McDonald says it would be wrong to over-emphasise the suffering which adherence to Gatt rules will cause the economy, industry faces only a gradual introduction of new tariffs over as long as 12 years after their formal implementation from next January. Negotiations are under way which may give South Africa access to the US's general system of preferences while an EU team is in the country to discuss preferential tariffs.

## A delicate mission to Beijing

Sir Leon Brittan, the European trade commissioner, faces a delicate task in Beijing this weekend in discussions with Ms Wu Yi, the tough-minded Chinese trade minister.

Sir Leon will be obliged to complain about Chinese threats against British business over Hong Kong; although a former British cabinet minister he will not want to appear to be engaging in special pleading.

London expects, nevertheless, a robust performance since anxiety is growing among British businessmen about the impact of the lingering row over Hong Kong Governor Chris Patten's democracy proposals.

China's strong desire to rejoin the General Agreement on Tariffs and Trade is seen as a possible lever. "It's certainly not in the spirit of Gatt to discriminate against British commercial interests," said an official in Beijing.

Sir Leon is visiting Beijing for a meeting of the Sino-EU Joint Commission, which convenes annually to review trade and related issues. This joint session will have a sharper focus since the pace is quickening on discussions about Beijing's application to rejoin Gatt.

The process has been in train since 1986, but the Tiananmen Square massacre of 1989 slowed progress until late 1992 when the US resumed closer consultation.

The Uruguay Round, to which China was a party, and the birth next year of the World Trade Organisation to replace Gatt have further stimulated discussion. China wants to be a founder member of the WTO, just as it was of Gatt in 1949, the year before the communist takeover.

Sir Leon will be left in no doubt by Ms Wu of Beijing's

Tony Walker on Sino-EU talks complicated by China rejoining Gatt and by Hong Kong

wish that deliberations in Geneva in mid-March of the Gatt working party on China should take on more urgency.

At a meeting this week in Beijing with Dorothy Dworkin, the chief US Gatt negotiator, China's trade minister spoke of a willingness on the part of the Chinese to be flexible, but US and EU officials say that significant obstacles stand in the way of China's Gatt entry.

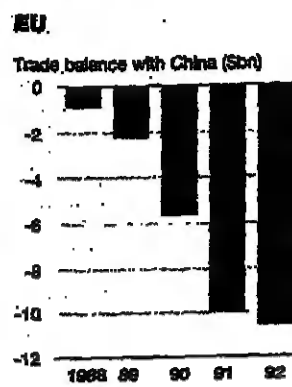
The EU's main concern is to see a strong and enforceable safeguards clause built into the protocol outlining terms for China's Gatt accession. The EU fears surges of Chinese imports, and points to a host of what it sees as dumping problems - discounted pricing of Chinese goods in the European market - as an example of what might be ahead.

China is resisting a safeguards clause, fearing that such a measure, providing for the imposition of quota restrictions, would be used arbitrarily to stifle Chinese exports.

EU officials argue that because of China's market reforms it should not be treated differently from other "free-market" Gatt signatories. Countries of the 24-nation Organisation for Economic Co-operation and Development are intent on ensuring that China's entry to Gatt is subject to the most rigorous terms.

China's hoisterous trade performance in the past decade, and expectations that this marks just the beginning, loom large in western concerns.

Ten years ago China, with exports of little more than \$20bn (£12.6bn), accounted for just 1 per cent of world trade. Exports last year reached \$92bn, or more than 2 per cent



Source: IMF

of the total.

But more immediately it is trade imbalances that are worrying China's main trading partners. The US trade deficit with China for the first 11 months of 1993 was \$11.4bn; the EU deficit for last year was expected to be slightly down on the 1992 figure, which some estimates put as high as \$12.1bn. Japan's deficit exceeded \$3bn.

US and EU officials, with the Japanese experience in mind, fear that such imbalances will be perpetuated unless China is obliged further to open its markets and reduce the monopolistic powers of its state trading corporations.

"Lack of transparency in their import regulations and their licensing requirements constitutes in our mind one of the most serious barriers," said an EU official. The US, for its part, is arguing that China should not be allowed to impose import restrictions in any individual case unless rules governing those restrictions are published.

China, whose tangled web of

trading rules has been obscured for decades from the outside world, has undertaken to publish an official journal of its regulations, but foreign officials in Beijing are sceptical about this undertaking.

They also have doubts about Beijing's ability to enforce standardised trading rules across its vast terrain, especially in light of the growing power of individual provinces and regions.

Among principle US concerns - and this may well be an issue raised by Sir Leon - is that of access to the China market for service organisations such as banks, retailers, accountancy and law firms, and advertising agencies. "They are resistant - very resistant on services," said a US official.

Rampant counterfeiting of such items as computer software and compact discs is another issue likely to emerge, with both the US and Europeans determined to tie respect for intellectual property rights to Gatt entry.

China, in spite of having reduced numbers of items subject to import licensing, abolished some non-tariff barriers, and unified its currency as a step towards convertibility, is finding Gatt entry a frustrating process.

While Sir Leon is not likely to adopt a confrontational stance, he will be duty bound to remind China of the fairly stringent requirements for Gatt entry. China cannot, for example, expect to get in to Gatt and then negotiate terms for entry.

"We're trying to get it right before they get in," said an EU official in Beijing.

## NEWS IN BRIEF

## Call to back workers' rights in trade deals

Respect for basic human rights at work should be included in future international trade agreements, Mr John Monks, the British Trades Union Congress general secretary, told the AFL-CIO American union organisation in Miami yesterday, Robert Taylor, Labour Correspondent, writes from London.

"We must press the case with governments for a clause linking the extension of trade advantages to respect for employment rights," he told the AFL-CIO's executive council. "In a time of heavy unemployment and insecurity such a clause in the Gatt would be a powerful defence against protectionism."

Mr Monks said he hoped the issue would be taken up at next month's jobs summit conference in Detroit called by President Bill Clinton and at April's Gatt meeting in Marrakesh.

He claimed there was a need to include a commitment to "inalienable" rights in trade agreements.

Earlier this month the Geneva-based Interna-

tional Labour Organisation raised the possibility of introducing social clauses into trade agreements. Trade union bodies such as the International Confederation of Free Trade Unions are also campaigning for them. Social clause supporters believe international competition must not be allowed to result in declining labour standards. But strong opposition is coming from Pacific rim countries in South-East Asia.

## Uruguay Round goes to US court

Five environmental and public citizen groups opposing the Uruguay Round deal yesterday went to court in San Francisco to force the Office of the US Trade Representative to prepare an environmental impact statement for the Round, Nancy Dunne writes in Washington.

A similar suit was filed last year in Washington against the North American Free Trade Agreement, linking the US, Canada and Mexico, to delay passage of the pact through Congress, but an appeals court upheld the government.

## BMW Rolls-Royce wins engines order

BMW Rolls-Royce, the joint venture between the German car maker and the UK aero-engine group, is to supply McDonnell Douglas of the US with aero-engines for a potential market of 1,000 aircraft, Rachel Johnson reports from London.

Its 30,000lb thrust BR715 engine was selected ahead of a rival engine from a consortium led by Deutsche Aerospace's engine subsidiary MTU.

## Philips in cable TV venture

By Ronald van de Krol  
in Amsterdam

Dutch electronics group Philips is joining forces with United International Holdings of the US to invest in cable television infrastructure in about a dozen European countries.

The joint venture will focus at first on the physical infrastructure through which cable television is transmitted, but may expand later into programming.

Philips sees cable television as an important outlet for its ambitions in multi-media electronics. It already owns stakes in cable television networks in its home town of Eindhoven as well as in Vienna, Paris, Brussels and other European cities. UIH has interests in the cable infrastructure of countries from Norway to Hungary.

The two companies' existing investments in cable television already cover a potential 2.5m European households, of which 1.5m are subscribers. They plan to expand the potential number to 7.5m.

## Eximbank nuclear loans criticised

By Nancy Dunne

The US Export-Import Bank has come under attack from environmental groups for supporting projects such as the Soviet-designed nuclear reactors at Temelin near the Czech border with Austria.

Mr Peter Jankowitsch, for-

mer Austrian foreign minister, is in Washington at the head of a government delegation to voice concerns about "the unprecedented merger of old eastern bloc technologies with western nuclear equipment" that could, he said, pose a safety risk for the whole region.

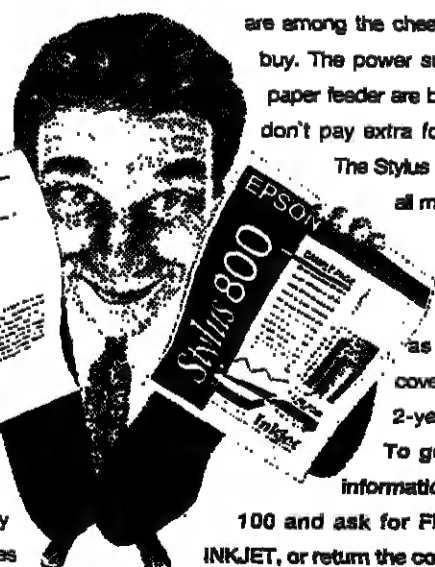
Speaking at a House banking subcommittee hearing, Mr Kenneth Brody, Eximbank chairman, said the bank plans to proceed with its \$317m loan guarantee backing the sale of a Westinghouse instrumentation and control system and advanced-design nuclear fuel to Temelin, unless opponents

produced new, convincing information about the risks. Improvement of procedures to assess environmental risk is already under way, he said. However, the bank could not carry out its mission if it had to conduct full-scale environmental impact statements for every transaction.

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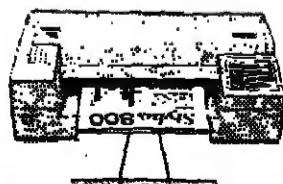
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## Aircraft orders boost US durable goods

By Michael Prowse  
in Washington

New orders for US durable goods rose 3.7 per cent between December and January - more than expected in financial markets - but the figures were distorted by a surge in aircraft orders, which are volatile on a monthly basis.

Excluding transport, orders rose 0.3 per cent, suggesting a weakening in the rate of industrial growth since late last year. Excluding defence orders as well as transport, orders declined 0.2 per cent. Mr Ron Brown, commerce secretary, said the jump in aircraft orders - which nearly tripled between December and January - was good news for the still-depressed Californian economy. He said the figures did not include any of the new orders expected from Saudi Arabia following the \$6bn (£4.1bn) deal struck this month between President Bill Clinton and King Fahd.

Some analysts had feared that a big jump in durable goods orders would cause the Federal Reserve to raise interest rates again. Yesterday, however, the relative weakness of non-transport orders was seen as further evidence that the pace of growth had slowed to a more sustainable pace after a surge in the final quarter of last year.

Reports yesterday of another increase in weekly claims for unemployment insurance, to 378,000, was seen as confirming a deceleration in the pace of job creation. However, the data on both jobless claims and civilian orders may have been adversely affected by recent very cold weather.

The increase in durable orders in the year to January was 12.6 per cent, reflecting strong gains in the second half of 1993.

Peasants say president's peace envoy has accepted least contentious demands

## Mexican rebels win concessions in talks

By Damian Fraser in Mexico City

Progress is reported in talks between the Mexican government and rebels in the state of Chiapas to end the two-month-old peasant uprising.

Subcommander Marcos, the Zapatista rebels' spokesman, said about a quarter of their demands had been met after three days of talks. He said Mr Manuel Camacho, President Carlos Salinas's peace envoy, had

agreed to their calls for better health facilities, education and housing in indigenous communities in Chiapas, and respect for the rights of Indian peoples.

However, such issues were always the least controversial of the rebel demands, and the government had predicted early agreement on them. The Zapatistas' apparent demand for greater autonomy for Indian peoples, and national economic and political

changes will be more difficult to meet.

Subcommander Marcos said that national issues "are too big for the negotiating table" and would have to be made in agreement with opposition parties. Representatives of Mexico's left-wing Party of Democratic Revolution have met Subcommander Marcos and applauded his calls for greater democracy.

Mr Cuauhtémoc Cárdenas, the PRD's presidential candidate, said

there were encouraging signs that the government was willing to make the necessary legal changes to comply with the spirit of a far-reaching accord agreed last month between Mexico's political parties.

The changes include making electoral tribunals, which judge the legality of elections, more independent of the government.

A senior government official said a special session of Congress to make

the necessary legal changes was now probable.

Mr Camacho confirmed that substantial progress had been made in the talks.

In an effort to dispel criticisms that he was breaking ranks with the government which he represents, he was in constant contact with President Salinas and he would seek support within society for any peace agreements reached.

## Relationship still special but showing its age

Washington views UK alliance from an altered perspective, write Philip Stephens and George Graham

The form of their meeting has been carefully contrived to present an image of easy harmony. But the substance of the encounter will not be quite so relaxed.

When Mr John Major, Britain's prime minister, visits Washington early next week he will receive the sort of reception from President Bill Clinton which will be characterised by anxious UK officials as red carpet treatment.

After the recent storms in transatlantic relations Mr Major needs to prove that he remains a welcome and important visitor in the US capital. Mr Clinton is equally keen that the visit is seen as a success.

In a ballet of symbolism, the two will meet first in Pittsburgh, one-time home of Mr Major's grandfather. Preparations are in hand to reciprocate during Mr Clinton's trip to the UK in June, with a visit to his old college porter at Oxford, a pint in a favourite pub, and a stay at Chequers.

But the elaborate emphasis on the etiquette disguises a more complicated picture.

What Britain could once declare with conviction to be the special relationship has not been as badly damaged as some recent newspaper headlines have proclaimed.

Mr Anthony Lake, Mr Clinton's national security adviser, points out that the telephone on his desk is programmed to reach Mr Roderick Lyne, his opposite number at 10 Down-

ing Street with the touch of a single button. Only two of his other foreign counterparts have their own button.

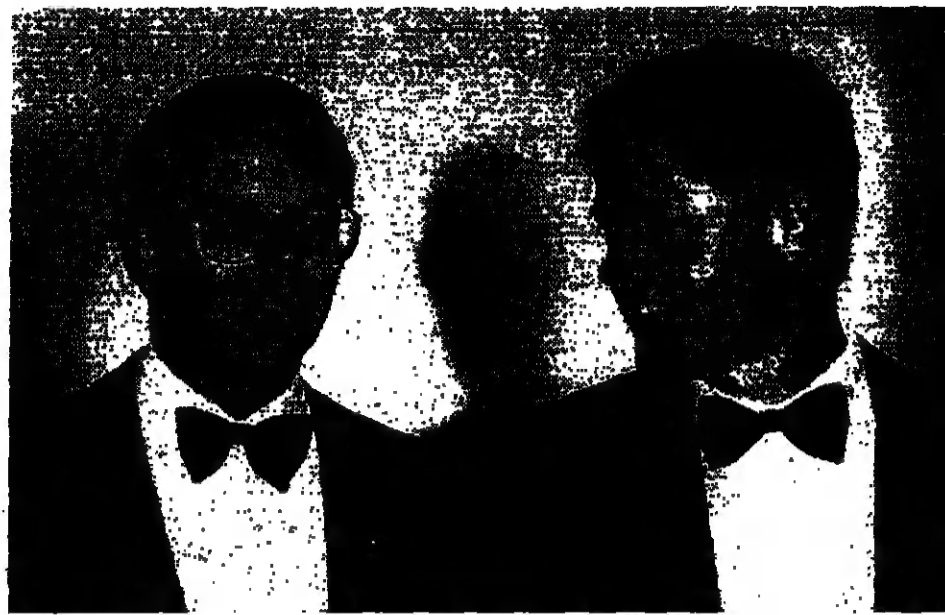
"Let me very firmly dispute that this is a relationship in trouble," Mr Lake said in an interview with British journalists this week. But nor is it as robust or as warm as Mr Major's government would like to pretend. The world has changed and with it the relevance and strength of the Anglo-American alliance.

On one level there have been the rows over Northern Ireland and Bosnia. On another there was the personal suspicion caused by the support offered to Mr George Bush by Mr Major's Conservative party in the 1992 presidential election.

The two leaders should be able to dispose fairly quickly of one of these pieces of grit in the relationship.

The message conveyed to London in recent days has been that President Clinton wants to draw a line under his controversial decision earlier this month to allow Mr Gerry Adams, the Sinn Féin leader, to visit the US.

White House officials deny that they have concluded that the Adams visa was a mistake, as their counterparts at the State Department or even the Federal Bureau of Investigation have. "We'll have to see what the results are. We can't know yet," said Mr Lake, insisting that Mr Clinton's disagreement with Mr Major was



Smiles for the cameras - Major and Clinton at last summer's G7 summit in Tokyo

purely tactical. British officials, however, take this as a tacit acknowledgment of error. The talk of personal animus has also been overstated. There are aides at the White House - dubbed the "Munchkins" by one US diplomat - who will lose no opportunity to exact revenge for Mr Major's support for Mr Bush.

"I believe the president wishes he knew who they were so he could discuss with them alternative plans for employment," said Mr Lake, describing the talk of animosity as "rather nonsense". Mr Clinton is astute enough to know that relations with allies are more important than settling scores.

Bosnia - likely to top the agenda next week - is much more difficult. It has, in the words of one British minister, been the "real poison in the relationship". Britain was at the forefront last year of Europe's destruction of Mr Clinton's planned approach to the war in the former Yugoslav republic. More recently the

prime minister acquiesced in the air strike ultimatum against the Serbs besieging Sarajevo only after strong pressure from the White House.

Mr Lake hotly denied Mr Clinton had told Mr Major that to do otherwise could undermine the US commitment to Nato. But senior British ministers and US diplomats said the president had done just that.

The differences have been smoothed over. But the potential for a further sharp divergence remains. Mr Major's

view is that the west has a chance of imposing a settlement in Bosnia only if the US commits troops. Washington is equally determined that no troops will be sent until a political agreement is reached.

But British officials acknowledge that Mr Clinton could not obtain congressional backing for the deployment of ground troops at this stage, and that it will still be difficult if a peace agreement is reached. US involvement in the peace talks is thus seen as crucial to ensuring its later involvement in peacekeeping. "If they are helping to broker the deal, they can't cop out at the point of implementation," a senior British official said.

Mr Major's government insists with some justification that the relationship can survive such storms. Trade, cultural and economic links remain strong. In many regions of the world, notably Iraq, Britain remains Washington's most reliable ally.

What is strongest in this relationship is a shared confidence, and through that shared confidence an ability not only to agree on issues but to disagree," said Mr Lake.

But the ending of the cold war, the increasing integration of continental Europe, unification of Germany and the economic power of the Pacific region have changed Washington's priorities. Mr Major would do well next week to acknowledge that reality.

## Inflation index to form new Brazilian currency

By Angus Foster in São Paulo

Brazil is next week expected to announce the first steps towards a new currency to replace the inflation-plagued cruzado real.

The move is part of an economic stabilisation plan launched by Mr Fernando Henrique Cardoso, the finance minister, aimed at tackling Brazil's annual inflation of about 2,500 per cent.

Mr Cardoso is due to launch the Unidade Real de Valor (URV), an inflation index which will eventually form the basis of a new currency. Brazil uses several indices to adjust prices and salaries regularly for inflation. But the indices measure past inflation and often add to present expectations of price rises. The government hopes its new index will eliminate such "inertial" inflation by stressing current rather than past price rises.

The value of the URV, linked to the US dollar, will be announced daily by the central bank. The government hopes that businesses will quickly switch from using cruzados to URVs and that the country will be able to move entirely to the new unit later this year.

The government has yet to explain many of the details of the new unit or whether its adoption will be compulsory. Workers groups are concerned that salaries will be converted into URVs on unfavourable terms, leading to a sudden fall in purchasing power.

The move follows approval by Congress on Wednesday night of a \$15.5bn (£10.6bn) emergency fund to help balance the government's budget. The fund, which passed a first vote two weeks ago, allows Mr Cardoso to claim to the International Monetary Fund that the government is committed to erasing its budget deficit.

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# British Gas set to shed 5,000 more jobs

By Robert Corzine

British Gas yesterday counted the cost of losing its residential supply monopoly when it announced a £1.65bn exceptional charge to pay for a corporate restructuring that will prepare it for future competition.

The company said 5,000 more jobs will have to go on top of the 20,000 which it announced last year. The total number is equivalent to about a third of workforce. But Mr Cedric Brown, chief executive, would not rule out additional job cuts in future, even though the restructuring will

reduce the company's cost base by £800m. He said some of the restructuring costs could be traced to government decrees that British Gas separate its storage and transportation business from its trading arm. But most of the restructuring was "management driven to get us into a form in which we can succeed in competitive markets."

Mr Richard Giordano, the new executive chairman appointed last year to help the company adopt a more competitive strategy, acknowledged that "a restructuring of this magnitude will be painful for some".

But he noted that independent gas traders had captured 73 per cent of the firm contract market by the end of 1993, compared with 49 per cent a year earlier.

Unions reacted badly to the job cuts, and demanded that the government intervene to ensure that workers are not consigned to long-term unemployment. Mr Robin Cook, the opposition Labour party's trade and industry spokesman, called on British Gas not to make any compulsory redundancies.

The heavy restructuring charges resulted in a net loss on an historical

cost basis for the fourth quarter of £694m against a £294m profit the previous year. It dragged the full year figure into a loss of £285m, compared with a profit of £681m last time.

Full year operating profits of £1.68bn (£1.65bn) before exceptional charges showed that the underlying business was stable, although competitors continued to increase their market share in those segments of the industry already open to competition.

The restructuring charge was generally welcomed by analysts, who said it showed that British Gas was serious about cutting costs.

But British Gas shares fell 11 pence to close at 338p.

Standard & Poor's, the international credit rating agency, revised its outlook on British Gas's long-term rating of double-A plus to negative from stable.

Last December the UK government decided to abolish British Gas's monopoly in supplying 18m households in a programme which will be phased in over two years until 1998.

Lex, Page 16  
Paying a high price, Page 24

## Britain in brief



## Universities act to raise private funds

British universities have appointed European Capital, the investment banking boutique, to draw up a blueprint for them to raise finance from the capital markets.

They plan to use the extra funds for academic capital projects, such as new libraries, lecture theatres and lecture halls. The Committee of Vice-Chancellors and Principals last year estimated that the UK universities' total need for extra capital spending in addition to that already provided by the government was £3.2bn.

Mr John Avery, head of estate management for the government's English higher education funding council, which will be paying European Capital's fees jointly with the vice-chancellors, said: "We see the partnership as becoming more and more dominated by the universities because clearly there is not enough public money generated through us to support their capital needs."

European Capital's brief is to prepare a blueprint for a financial vehicle company in which a syndicate of universities would raise money. By raising money through a vehicle company, universities hope to borrow on more favourable terms than would be available normally.

Mr Angus Matheson, retiring chairman of the NAPP investment committee, at the association's investment conference in Eastbourne.

Speakers called for active voting by institutional investors, for the revival of the role of the annual meeting, and proposed attacks on the management of poorly performing companies.

The Voting Issues Service monitors the 250 companies for controversial proposals requiring shareholder approval. It supplies details to more than 60 fund management firms running portfolios worth some £200bn in aggregate. It also tests against a checklist of eight corporate governance criteria, including division of the roles of chairman and chief executive, presence of three or more non-executive directors, and the existence of remuneration and audit committees of the board.

Mr Matheson told delegates that the service had been well-received but institutional owners of shares should go further and exercise voting rights.

Mr Dale Hanson, chief executive officer of the \$83bn Californian public sector pensions system, Calpers, and veteran of many US proxy battles, told delegates that institutional investors must be active in pursuing the companies. "We are going to remind the world that shareholders are the owners," he said. "We will be targeting 10 companies this year."

## Royal Opera House scheme

The Royal Opera House in Covent Garden, central London, has dropped proposals to help fund its redevelopment by building commercial offices, plans unveiled yesterday show.

The scheme, which was drawn up by Stanhope Properties, depends on securing funds from the Millennium Fund and from public appeal.

The redevelopment of the opera house will modernise its stage facilities, provide more seats, restore the adjacent Floral Hall building and give the Royal Ballet a home at Covent Garden. These plans were described as the final revisions to the scheme to redevelop the opera house, which have been under way for the past 10 years. The Opera House won planning permission in 1990 for a scheme which incorporated commercial office and retail space. But the proposals were criticised by conservationists and became less commercially attractive as a result of the decline in the property market.

## More women scientists urged

The government should set a target of filling 25 per cent of its senior scientific posts with women by the year 2000, an independent advisory committee said yesterday. At present women make up about 12 per cent of such appointments.

The Committee on Women in Science, Engineering and Technology - set up last year by Mr William Waldegrave, minister for science - put forward recommendations for encouraging more girls to study science at school and to make their careers in research.

The proposals range from broadening the secondary school curriculum to making research grants more flexible so that women scientists can work part-time when they have family commitments.

Baroness Thatcher worked assiduously and successfully to rebuild the relationship with Malaysia. She and Dr Mahathir now have a high regard for each other. Since 1988, when she signed a memorandum of understanding with him on £1bn of UK defence sales to Malaysia, British companies have won a series of profitable contracts.

Britain has made an estimated £1.3bn of defence sales to Malaysia since 1988, and British companies have won civil projects worth considerably more than that. British exports to Malaysia have risen from £227m in 1986 to £862m in 1993.

But relations with the British government deteriorated last year because Dr Mahathir was highly critical of what he viewed as Britain's inadequate support for Bosnia's beleaguered muslim community.

Dr Mahathir and his cabinet then became annoyed by criticism in the British press and parliament that the £1bn arms deal was won because the government gave £234m of aid for the building of a hydro-electric dam at Pergau.

"They can't see what all the fuss is about," said a British businessman. "After all, they want the dam and it's being built by British companies."

## Tory right press for further cut in interest rates

By Philip Stephens, Political Editor

Mr Kenneth Clarke, chancellor of the exchequer, is facing mounting pressure from Tory backbench MPs to order a further cut in interest rates to speed the pace of recovery.

Senior figures on the Tory right, led by Mr Kenneth Baker, former home secretary, are urging Mr Clarke to overrule the Bank of England and order a cut of at least 1 point in base rates from their present 5.25 per cent.

Many of Mr Baker's colleagues on the centre and left of the party are also beginning to warn that unless there is at least a small further cut, the government faces a rout in this summer's local and European elections. That view is being echoed privately by a number of government ministers who believe Mr Clarke was wrong to allow the Bank to limit the cut in rates earlier this month to only 0.25 per cent.

Mr Clarke himself is said to have been frustrated by the Bank's caution. Some of his colleagues believe it will temper his enthusiasm for allowing it a more significant role in monetary policy.

The chancellor is also boxed in by his own public commitment to aim for a steady, sustainable recovery with inflation staying low rather than

for a rapid burst of economic growth with a risk of a renewed acceleration in price rises. That broad objective is widely shared across the party at Westminster. It is also clear that Mr Baker's view that interest rates could comfortably be reduced to 4 per cent is confined largely to the right of the party.

But with the underlying inflation rate still subdued there is a growing consensus that Mr Clarke should move swiftly to reduce rates to 5 per cent and pencil a further cut to 4.5 per cent in April to coincide with planned tax rises. Some ministers share the view on the backbenches that the Treasury has significantly underestimated the damaging impact on confidence of the tax rises, which will add more than £12 per week to the income tax bill of the average household.

Despite the recent increase in the rate of annual retail price rises to 2.5 per cent, many Conservative MPs appear convinced that the Bank is continuing to exaggerate the inflationary pressures in the economy.

But in any event there is an emerging consensus that the risk of an upsurge in inflation is far outweighed by the potential threat to the government - and to Mr Major's own position - of heavy defeats in the local and European elections.



Holidaymakers in 1936 watching the steamers passing through Barry docks in south Wales

## Welsh docks may live again

By Roland Adburgham, Wales and West Correspondent

A £220m scheme to redevelop derelict docklands at Barry, south Wales, was launched yesterday in an attempt to regenerate what was once the world's busiest coal port.

Planning consent is being sought for housing, shops, business premises and leisure facilities on 180 acres of land which were formerly rail marshalling yards. The scheme is a joint initiative by Associated

British Ports and the Welsh Development Agency.

Site clearance has started and an access road linking the docks with the town is being built by Vale of Glamorgan council. Next month an initiative to regenerate the town itself will be launched by the council, South Glamorgan county council and the WDA.

The deepwater port opened in 1889 with a railway line connecting it to the Rhondda coal mines. Within a decade a town of nearly 30,000 people had grown up, only 10,000

fewer than the present population. Today, the working port principally consists of a purpose-built fruit and general cargo terminal with storage and an annual cargo capacity of about 300,000 tonnes.

Barry Stevedores, a workers' co-operative, was set up in 1990 when 80 former employees signed an agreement with Associated British Ports allowing them to service cargoes from fruit company Geest. But Geest later moved operations from its long-established Welsh base to Southampton.



## Former minister defends Iraq role

By Jimmy Burns

The disclosure in the Matrix Churchill case of information which the government tried unsuccessfully to suppress has undermined public faith in the standards of public service, former foreign office minister Mr Tristan Garel-Jones told the Scott inquiry yesterday.

Mr Garel-Jones said that he himself had never had "the slightest doubt" about the propriety of signing a public interest immunity certificate seeking to restrict information.

But much of his evidence to the inquiry underlined the extent to which ministers concerned have felt under increasing political pressure over the arms-for-Iraq affair.

Mr Garel-Jones, a Conservative MP who served as deputy chief whip under Mrs Margaret Thatcher, said that because of what he claimed was mislead-

ing media coverage of the exports-to-Iraq affair, he had to explain to his constituents that ministers were not involved in "some shulduggery".

Mr Garel-Jones said: "Quite a substantial number of my constituents have written to me saying how could you possibly involve yourself in gagging... I believe that the suggestion that the government was secretly arming Iraq to be wholly unfounded and to have been fed by the release of these papers."

He also issued a personal defence of the role in the Iraq affair of Mr William Waldegrave, his predecessor as foreign office minister. Mr Waldegrave told the Scott inquiry in October that he approved the export of Matrix Churchill machine tools in spite of intelligence reports linking the company to a munitions contract.

## Active role for investors sought

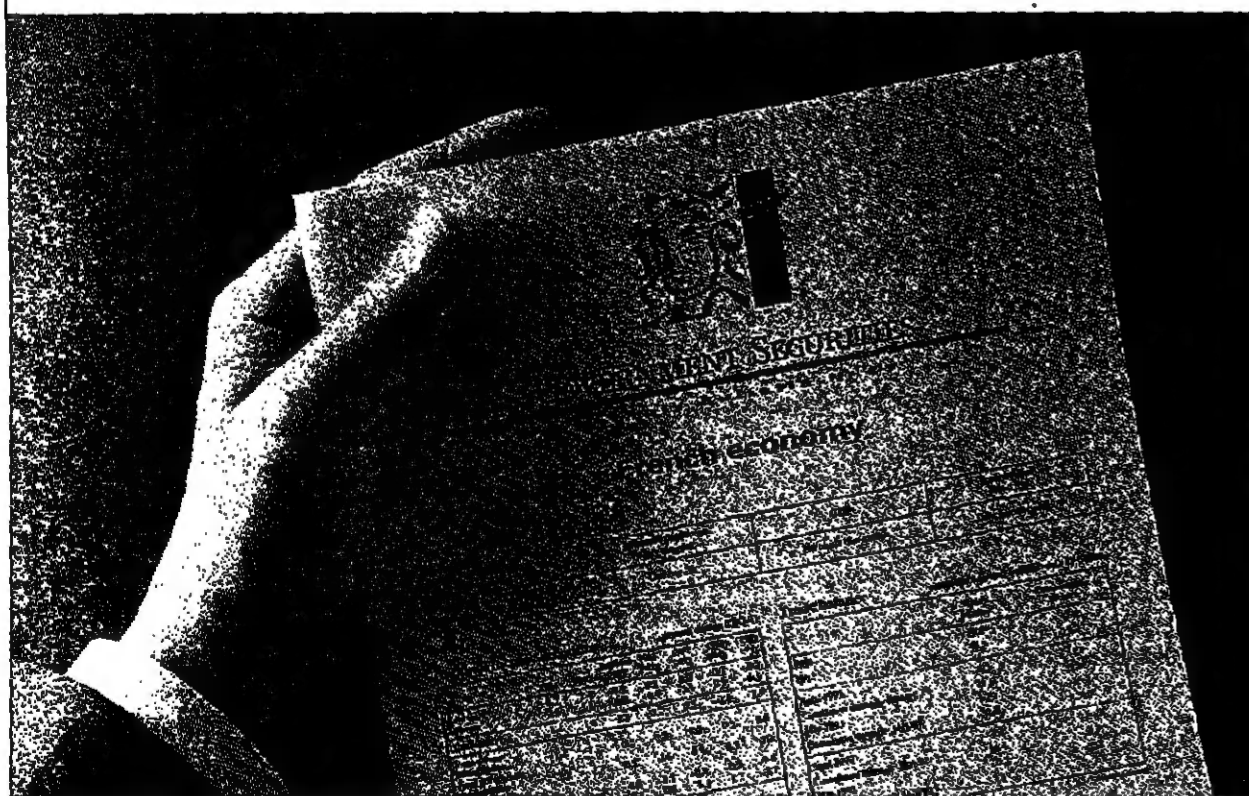
One in five of the 250 largest UK-quoted companies meet all important criteria of best practice in corporate governance and 75 per cent meet most of them, says a report compiled by the National Association of Pension Funds' Voting Issues Service after its first year of operation.

That was described as "encouraging" yesterday by

This means that anyone seeking planning permission to carry out work on the safeguarded route must obtain the approval of Union Railways, which is preparing the line for BR. Union Railways will offer to buy homes in the safeguarded zone or close enough to be seriously affected. Homes above tunnels are not covered.

Planning directions which safeguard the route of the Channel tunnel rail link and trigger the procedure for blighted homes to be bought by British Rail come into effect today.

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## Billions ride on Malaysian mood

Industrialists and bankers were horrified yesterday by the news that the Malaysian government was planning to cease giving business to British companies.

"We are doing everything we can to get the Malaysians to change their minds," said a banker involved in financing Malaysian trade. "Otherwise years of marketing and billions of pounds of potential contracts will go down the drain."

At a press conference this morning in Kuala Lumpur, Mr Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, is expected to announce that British companies will no longer be invited to bid for government contracts.

He will say existing contracts will be honoured, but will give no time limit on the embargo on new business. That could prove extremely costly for British companies which, the banker said, were currently negotiating government contracts worth £2bn.

A UK-Japanese consortium including Trafalgar House, Balfour Beatty, Gammon and G-Mats (part of GEC) has signed a memorandum for development and project management of a new M13.5bn (£3.4bn) international airport for Kuala Lumpur.

Robert Peston and Kieran Cooke on how Britain may stand to lose

The initial contract was worth a comparatively modest amount. The expectation was that bigger contracts would have gone to British companies. These companies were informed yesterday morning that they would not be getting any of these more profitable contracts, according to a businessman.

British companies including National Grid, PowerGen and Rolls-Royce, are negotiating contracts in Malaysia's fast expanding power sector.

British construction and engineering companies, including John Laing, Bovis and John Brown, have won substantial contracts in Malaysia and were hoping for bigger things as Malaysia's gears up to spend millions on infrastructure. Laing has been negotiating a contract on the construction of a £200m-plus military base at Merising.

An adviser to the Malaysian government said the action was being taken because of "tendentious British reporting" of the way UK companies and the UK government had negotiated government contracts.

Dr Mahathir has enormous power and influence in Malaysia. He has been in power for 13 years. A government adviser said ministers viewed attacks on Dr Mahathir as attacks on Malaysia.

This will be the second time Dr Mahathir has launched an embargo on British trade. In October 1981, he initiated a "Buy British Last" policy, which was maintained for three years, following the withdrawal of British government subsidies for foreign students in Britain.

Dr Mahathir frequently attacks what he feels to be western arrogance - whether it concerns world trade, the environment or human rights. "Sometimes you have to be a bit famous," said Dr Mahathir recently. "In order to be known you have to be nasty."

The Malaysian prime minis-



# Court rules on contracting out

By Robert Niles,  
Legal Correspondent

The contracting out of services performed by just one employee is covered by the European Union's transfer of undertakings rules, according to a preliminary opinion of the European Court of Justice.

contracting out of public-sector services.

The directive, which was translated into UK law by the Transfer of Undertakings (Protection of Employment) Regulations 1981, known by the acronym TUPE, protects the jobs and conditions of employees when the undertaking they work for changes hands.

New employers must take over all existing contracts of employment, consult with unions and honour collective agreements.

Confusion over whether TUPE applies to contracting out has thrown the government's compulsory competitive tendering and market testing programmes into confusion.

The advocate general's opinion follows the approach taken by the European Court in an earlier case involving the contracting out by Philips, the Dutch electronics company, of a staff canteen. But the court said whether the transfer rules applied to a particular service was a question for national courts.

Mr Van Gerven said cleaning services were an economic activity to which the directive applied and the fact that an activity was carried out by only one person did not prevent the rules applying.

He reiterated that for there to be a transfer the service had to form an identifiable "economic entity" which existed either independently or as part of a greater organisation.

Although the advocate general's opinion is not binding on the court it is likely to be followed by the European judges when they come to deliver their judgment in the summer.

Contractors said yesterday they were becoming resigned to the idea that TUPE was capable of very wide application to contracting out. The question was whether the English courts would now follow the European Court's approach.

# Manufacturers see modest economic growth ahead

By Emma Tucker,  
Economics Staff

British manufacturers saw the best improvement in order books for four years in February, but have lowered their expectations for economic expansion.

The Confederation of British Industry yesterday joined other forecasters in predicting that the economy was poised for only modest growth - 2.3 per cent this year and 2.4 per cent next. The CBI said that the downward revisions from last November's forecasts - 2.4 per cent and 2.5 per cent respectively - reflected the expected impact of tax rises and public spending cuts over the next two years.

Meanwhile, the latest industrial trends survey showed that the net proportion of companies assessing order books as below normal is the least negative since September 1989. Some 19 per cent reported their books to be above normal, while 80 per cent said they were below. The negative balance of 11 per cent compares favourably with negative balances of 21 per cent and 38 per cent in January and February last year.

Export order books are also significantly better than they were a year ago, although there has been no improvement since December, suggesting a rise in home demand.

A cut in Scotch whisky production of between 5 per cent and 7 per cent this year is needed to reduce a damaging surplus of stock, a report published today says.

The report, by Mr Alan Gray, a whisky analyst with Sutherland & Partners, the Edinburgh securities house, says production must fall for the fourth consecutive year, although the reduction need not be as severe as the 15 per cent cut made in 1993.

He expects this cut to bring stocks largely into line with consumption, although production will need to be held at the lower level through 1995.

Whisky distillers have been hit by falling demand for four years, but the market recovered slightly last year, and further improvement is expected this year.

Despite recession in many overseas markets, Sutherland says whisky exports increased last year, with exports of Bottled in Scotland blends up 2.7 per cent by the end of November.

Total exports were more than £2bn for the first time, maintaining Scotch whisky's position as one of the UK's most important exports.

CBI's associate director, said: "Last November's Budget introduced a more restrictive stance on personal taxation than we had previously anticipated. This has contributed to our downward revision of growth in national output."

He added that the tax changes had also altered the composition of economic growth. Consumer spending was now expected to rise moderately this year and next.

The CBI expects the balance of payments to stay flat this year at about £3.7bn - compared with £3.5bn last year - as recovery in continental Europe leads to a rise in exports. Unemployment will fall only slowly.

# Surge in business air travel forecast

By Rachel Johnson

Britain's airports are set for a surge in demand for air travel, government forecasts published yesterday show. Business travel will outpace leisure traffic, and regional airports are to see faster growing demand than London airports.

The Department of Transport predicted that air traffic at London and regional airports is to grow by up to 163 per cent between 1992 and 2010 - an annual rate of between 3.1 per cent and 5.5 per cent - provided there are no constraints from shortages of airport or airspace capacity.

By 2010 the numbers of international and domestic terminal passengers at UK airports will have risen to 278.5m from 106.1m in 1992, according to the government's highest estimates of demand.

Regional airports are expected to experience faster growth than London, with the proportion of passengers using regional airports rising to about 40 per cent by 2010 from 35 per cent in 1992.

While business travel is poised for an escalation in traffic, the forecasts predict a "bifurcated" rise in leisure travel by UK residents.

# PROPERTY

# A health warning

Vanessa Houlder on a report that calls for improved management of property holdings

swing. Companies have increasingly seen their property holdings as "a mis-allocation of scarce resources rather than a solid bulwark of support", the report says.

The increase in real property values has slowed since the 1970s. An increasingly competitive business climate forced companies to specialise in a narrow range of core activities, which generally excluded property investment.

This more focused approach added weight to the argument that cash locked up in property assets should be released. "If the rate of return on the company's assets exceeds the expected appreciation of property assets, the latter should be sold and the money invested in the business," says the report.

The recession has sharply increased awareness of the potential risks associated with property. First, the problems of many financially-strapped companies were compounded because they occupied properties with long-term leases and therefore could do little to cut their rental costs. Second, companies were hit by "privity of contract" - they were liable for the rent on buildings they had vacated, even if they had passed on their lease to a tenant that had defaulted. Third, companies that owned freeholds were badly affected by the downturn, as banks cut credit for companies with loans secured on tangible assets.

Asides market changes, new accounting rules have also forced finance directors to reassess the real economic costs of their property assets. These rule changes include the requirement for more consistency in how fixed assets are represented on a balance sheet.

Companies are also becoming more aware of the scope to raise profitability and returns on property assets. In a survey of 111 companies in the report, 26 per cent said there was "considerable scope" for reducing property costs.

The rewards of tighter property management, the report says, are considerable. Success depends on a business's net

profit margins. When net margins are only about 7 per cent, a reduction in costs of, say, 0.65 per cent due to better control of property overheads translates into an earnings rise per share of about 10 per cent.

The scope for improving property management varies between different companies. The best-run portfolios are those belonging to companies for which property is an integral part of their core business, such as banks and hotels.

Another group of companies which tends not to be too concerned about its property costs are those operating on high net profit margins - such as the pharmaceutical industry - or companies where property assets are small in relation to the balance sheet - as in financial services groups.

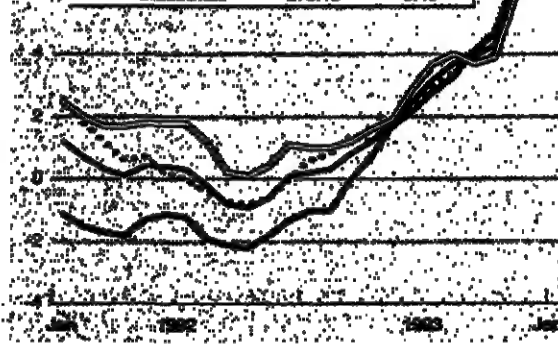
The companies that have the greatest need to address their property costs are those in mature industries. Such companies trade on smaller profit margins and have the widest scope for rationalisation. Moreover, they often have a complex property portfolio as a result of re-organisations, mergers and rationalisation.

The report says that improving property management is not easy. Companies may wish for greater flexibility in their leases, but they may be stymied by landlords anxious to retain long leases.

Companies operating in a low-inflation and competitive climate will continue to be under pressure to cut overheads. Those with over-stretched portfolios have little choice but to get to grips with their property costs.

# IPD monthly index for January

Index of monthly returns based on Dec 88 = 100	January 1994	Change over last month
All Property	107.47	3.77
Public	108.25	3.84
Offices	101.00	2.97
Industrial	273.10	5.49



The growth in commercial property capital values fell from 2.5 per cent in December to 1.2 per cent in January, according to the Investment Property Databank, a research group, writes Vanessa Houlder.

Total returns from commercial property remained strongly positive at 1.9 per cent.

The rate of decline in rental values in January was unchanged from December, at -0.3 per cent. No sector or region shows clear signs of an upturn in rental values.

Total returns slowed across all sectors. Industrials and retail both returned 2.1 per cent for the month, while offices fell back into third place with a total return of 1.7 per cent.

Total returns for offices in January fell to 1.7 per cent on the back of a fall in capital growth to less than 1 per cent. Equivalent yields in the industrial sector advanced from 10.5 per cent in December to 10.3 per cent in January. Total returns and capital growth of the industrial sector were 2.1 per cent and 1.2 per cent respectively.

Six new funds have been added to the IPD monthly index in January, increasing its total capital value by 17 per cent to £3.14bn.

The monthly IPD charts of quarterly returns are no longer adjusted to show annualised movements. This is to prevent a strong short-term performance from giving an unrealistically high impression of achievable returns.

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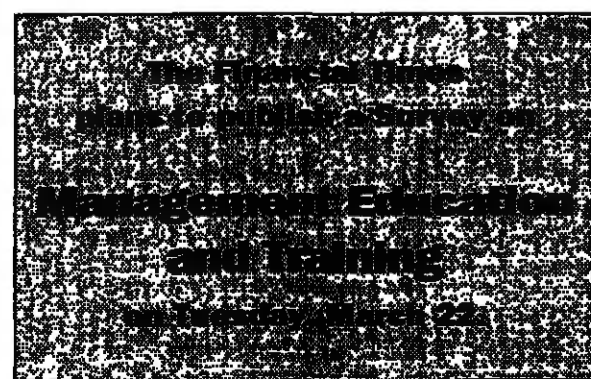
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# LEGAL NOTICES

In the High Court of Justice  
Chancery Division

No. 00428 of 1994

IN THE MATTER OF  
SHAFERSTY PLC

and

IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 16th February 1994 confirming the reduction of the capital of the above named Company from £24,600,000 to £16,357,751.50p and the Minutes approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on the 16th day of February 1994.

DATED this 25th day of February 1994  
Lowell White Dumas, 65 Holborn Viaduct  
London EC1A 1DY  
Ref: AARGP  
Solicitors for the above named Company

In the High Court of Justice  
Chancery Division

No. 00428 of 1994

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Lowell White Dumas, 65 Holborn Viaduct  
London EC1A 1DY  
Ref: AARGP  
Solicitors for the above named Company

In the High Court of Justice  
Chancery Division

No. 00286 of 1994

IN THE MATTER OF  
ORB ESTATES PLC

and

IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 16th February 1994 confirming the reduction of the Share Premium Account of the Company by £22,275,303 and the reduction of its capital from £61,761,878.50 to £39,486,575.50p and the Minutes approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 16th February 1994.

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CHRISTOPHER LORENZ

## Nothing is forever in business alliances



We will probably never know exactly what Nobuhiko Kawamoto told the chairman of BMW in Tokyo on Monday. The disgruntled president of Honda had two main agenda items: in the wake of BMW's bold purchase of majority control in Rover three weeks ago, he informed the German car company boss of Honda's decision to sell its minority stake. And the two men explored the future of Honda's various joint projects with Rover.

If Kawamoto had been entirely frank and open - which is most unlikely given the cross-cultural sensitivities involved, and Honda's patent need to display maximum outrage in order to squeeze higher licensing and other fees out of Rover - he would have said something like: "Don't cry for me, Pischetsrieder."

The hurt which Honda is suffering is far less than politicians and commentators of various nationalities have suggested in a spate of emotional outbursts.

The complainers are right to the extent that breakdowns of the Honda-Rover kind are rare. Alliances usually end amicably, either in parting, or by one side acquiring the other. But it is not unknown for one partner to leave the other in the lurch, either to go it alone or to team up with a rival. Contrary to conventional wisdom, the loser is occasionally Japanese.

Kawasaki drew the short straw two years ago, for instance, when its close and long-standing collaboration in helicopters with MBB (by then part of Deutsche Aerospace) ended after the German company created a joint venture, Eurocopter, with Aerospatiale of France. On a smaller scale, Honda was dropped by Ford on a minivan development project, in favour of Nissan.

But in most other senses the tears of the pro-Honda lobby are unwarranted. Contrary to all the allegations of "betrayal", there are only two sensible interpretations of the way Honda allowed Bernd Pischetsrieder and BMW to steal a march on it.

The less likely, in spite of Hon-

da's display of jilted honour, is that in its hour of need the Japanese company somehow lost the adroit political instinct which it has always displayed in the past, in every aspect of its dealings with business partners and governments.

According to this reading of events, Honda was caught out because it forgot several fundamental rules for collaborating in the sort of "strategic alliance" it has had with Rover. As Jordan Lewis, an American alliance specialist, says, a key maxim is that "alliances survive only as long as each company regards the other as its best partner. So each must take what steps it can to ensure that the other continues to need it."

Another rule is that each partner should negotiate an "exit strategy" at the beginning of the relationship - and revise it as the

### The Honda-Rover alliance was already more than twice the average age of similar partnerships

years pass - in case mutual need disappears, or the shared objectives change.

The second interpretation of events seems far more likely: that Honda realised precisely what was going on, but that it took a cold business decision that a majority stake in Rover was either not worth the cost, or would tie its hands too much in the long run.

According to this reading of events, Honda had its exit route well-prepared. Unusually for the junior partner in an alliance, Rover certainly did too, by developing its independent skills in engines and other key areas of the business.

In stark contrast to the division of opinion among politicians and journalists, there is a remarkable convergence of views among the academics and consultants whom I have polled this week.

From vantage points in Italy, France, Washington and California, they all agree that, even without BMW's intervention, the 15-year-old Honda-Rover alliance

would have come to an end or been scaled back within the next five years. It was already more than twice the average age of similar partnerships. This would have happened in one of three ways: through a complete parting; through Honda's full integration of Rover; or through the sort of watering down which is now occurring.

As these experts argue, there is a natural life cycle for the sort of alliances which, as with Honda-Rover, are constructed to give one company market access and initial production scale in a particular region of the world, while in return its local partner borrows technology and management skills - and sometimes also reaps a production benefit.

"For most companies, that's all part of the process of internationalisation - such agreements make sense for a while, but not for ever," says Yves Doz, an Insead professor who is writing a book on global alliances. "Eventually, the partners call it quits, or one takes full control."

Once the incoming company gains sufficient market access and production scale to be viable on its own - including through the supply of parts or complete products from its factories elsewhere in the world - the need for a regional partner often disappears.

Honda can already meet the first of these conditions, now that it has decided to continue - at least for a few years - the cross-supply of parts with Rover. Such a relationship is perfectly normal between rivals these days in all sorts of industries, including cars.

With local sales from its US production base stagnating, it also meets the second condition. It has plenty of capacity to supply its UK assembly plant with parts from the US, even if some of them will have to be redesigned. And it already exports several complete models from the US to Europe.

So the value of the Rover alliance to Honda was set to decline in any case. In the words of Joel Bleeker and David Ernst of McKinsey & Co, alliances are a form of "arbitrage" in which the value of each partner's contribution varies over time. In the alliance business, nothing is forever.

It is important to recognise that the Cadbury Report (on UK corporate governance) of 1992 does not have the force of law but that it will have legal consequences. Our company law concepts and our bases of liability stem from the fundamental premise of a unitary board. The consequence of an endeavour to obtain a "half-way house" between unitary and two-tier boards must create legal confusion. In the event that the courts are involved in any issues of governance they will take the (Cadbury) Code as representing the reasonable requirements of directors.

One question whether non-executive directors appreciate that their personal liability may have been substantially increased. Their basic duty of care and skill would formerly have been governed by the concept of *subjective reasonableness* as determined by their personal background and experience. Executive directors owe a more onerous duty to be judged by *objective reasonableness*, irrespective of their personal abilities. The strength of this distinction may have been diluted, perhaps extinguished, in the case of members of audit, remuneration and nomination committees whose personal liability may have been increased.

Cadbury further defines the role of auditors as that of providing the shareholders with an external and objective check on the directors' financial statements. It then adds that the framework in which auditors operate is not well designed to provide objectivity because:

a) Accounting standards currently allow too much scope for presentation and auditors cannot stand firm against the client's choice of accounting treatment if that is within permitted standards.

b) Auditors have to work closely with management and will wish to have a constructive relationship with their clients.

Why might auditors wish to "stand firm"? If their objection is strong enough why would they not seek to add a rider to their report? Why are there so many bodies currently engaged in producing new standards, often additional and usually controversial? Who are seeking these innovations? Is it the shareholders in whose interests, mainly if not exclusively, these standards exist?

Have we not arrived at a point at which the average investor - even the average analyst - is bemused by a growing complex of figures accompanied by ever-lengthening notes couched in professional language, supported by a chairman's report, a chief executive's report, a finance director's statement, an environmental report and now a corporate governance statement?

As for b), it is indeed sad to read

In London last night Sir Owen Green, former BTR chairman, delivered the Pall Mall Lecture on UK corporate governance. The following are edited extracts

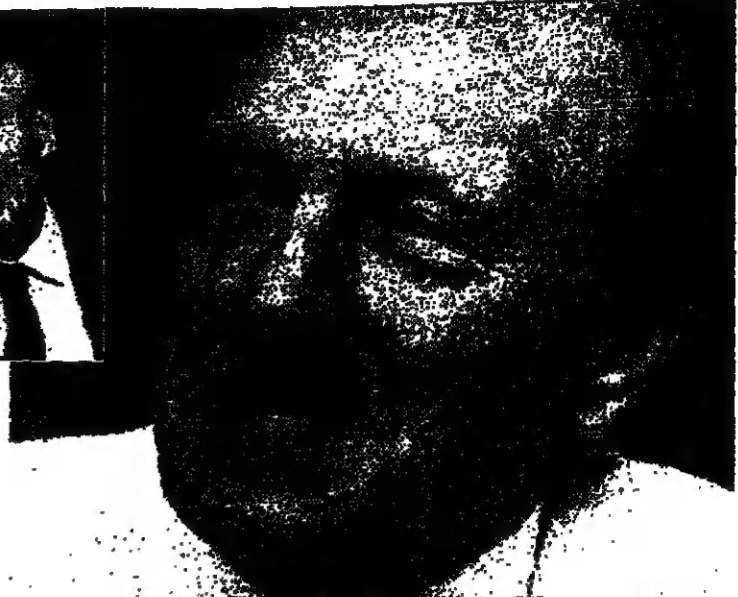
## Cadbury critique

Sir Adrian Cadbury



**'There is danger in an over-emphasis on non-executive directors' independence from the business of the corporation'**

Sir Owen Green



words in which the barely concealed meaning implies that auditors are hired by managements whose wishes are to be taken as instructions, provided they do not breach these broad and versatile accounting standards.

Another feature of the poor framework for objectivity expressed by Cadbury reads: "To the extent however that audit firms compete on price and on meeting the needs of their clients (this must mean the management), this may be at the expense of meeting the needs of the shareholders."

These reflections offered by 12 good men and true indicate the level of general regard to which the auditing profession has fallen.

Shareholders should expect their company's auditors (not the management's auditors) to challenge the management views where the auditors' principles are involved and to reject those views where they encourage or condone management bias against shareholder interests.

An in-depth review of the auditing profession is well overdue. The risk of confusion of the role of auditor with that of management consultants at all must be eliminated. Secure the auditor's independence by requiring any change to be made by a special or extraordinary resolution

of the company. Consider limitation of his liability in certain circumstances. Restore his role as professional watchdog (but not bloodhound), releasing non-executive directors to more constructive purposes.

Many people might take the view that the spectacular corporate failures of recent years, rare as they have been, were more due to the neglect of requirements of commercial, corporate or common law or inadequacy of due diligence. The Cadbury recommendations will not eliminate those hazards or shortcomings.

However, it should be recognised that the talent that can identify, achieve, or introduce wealth-creating innovation is rare.

Fear of failure, which has often been a strong motivator, can also lead to reactionary behaviour which fosters regulatory inhibitions which are then presented as safeguards.

There is danger in an over-emphasis on monitoring; on non-executive directors' independence from the business of the corporation; on controls over decision making activities of companies. When coupled with the clearly reduced status of executives on the governing boards, such requirements must blunt the com-

petitive edge and deflect the entrepreneurial drive which characterises participation, let alone success, in a free market.

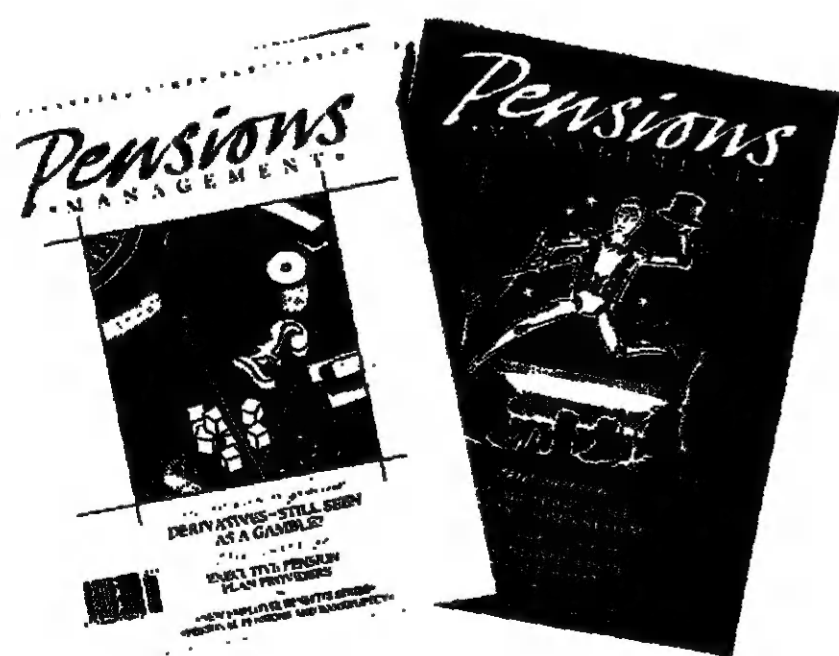
The emphasis on the special role of the non-executive director has by definition to be on non-executive matters. In stressing his independent judgment, his requirement to review the performance of the board and the executive, Cadbury casts his role as chiefly that of a watchdog.

One only has to read the media reaction to corporate failures of recent years and months to accept that the general expectation of these appointments is as watchdogs and it will be the most human of consequences that the watchdog role will be predominant.

The fading reality of a unitary board will be further diluted by continuing emphasis on the distinctive roles of non-executives in governance. In that event the introduction, de facto, of the upper tier Teutonic shield of the great and the good will not be long delayed.

What an irony it would be if the behaviour of non-executive directors under the influence of some of the Cadbury proposals succeeds in persuading executives of the advantage of such a change.

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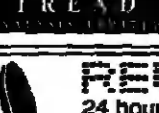
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## CAN EUROPE COMPETE?

## Manufacturing

## Either get smarter or else get poorer

Just how serious is Europe's industrial competitiveness problem? The question falls into two parts. On the one hand, industry in Europe is by no means exclusively controlled by Europeans. Much is in the hands of American, Japanese and other foreign corporations. On the other, the big European companies are by no means confined to Europe, but conduct their operations around the world.

The first set of questions thus concerns employees located in Europe: how far can they compete with workers elsewhere, regardless of who employs them, and what extent can they maintain their technology in Europe?

The second has to do with European managers. Regardless of where they operate around the globe, how well can they compete against their US or Japanese rivals? How successful, in a global context, is the European business culture? The distinction between these issues is clearly illustrated by a company like Unilever. With its Anglo-Dutch origins and head offices in London and Rotterdam, Unilever appears a classic and highly successful European company. But more than half its operating assets are now outside Europe. Its European workforce has shrunk by a third over the past decade, while its global employment has remained flat.

In many European corporations are part of the mechanism whereby jobs are exported from Europe. The interests of European workers and managers are, thus, in one sense opposed. Certainly, if the footloose European manager does a good job outside Europe, wealth will flow back to the European parent via dividends. But dividends form only a very small part of the wealth cre-

European manufacturing risks being too inept to equal the US and too lazy to match developing economies, says Tony Jackson

ated through the value-added chain. And in today's global financial markets, many shareholders in Unilever, Shell or Siemens are not European. The performance of European workers is best examined on a macroeconomic level, particularly since the picture varies between EU countries. First, employment. An OECD study of 13 leading industrial countries calculates that, in the past 20 years, manufacturing employment overall has fallen by 8 per cent. But in Europe it has fallen 30 per cent (35 per cent in the worst casualty, the UK). In the US it has barely changed, while in Japan it has risen by 2 per cent.

A similar picture emerges of the contribution of manufacturing to the economy. The figures are tricky to interpret, since manufacturing's share in any developed nation tends to fall as a result of rising productivity and lower prices. The issue is what is happening to industry's contribution to GDP in volume terms; that is, at constant prices.

On that measure, the OECD reckons that in most European countries - including Germany, France and the UK - the share of manufacturing has fallen over the past 20 years. In the US it has stayed roughly the same. In Japan it has risen.

In the period 1985-90, the picture is rather less gloomy. Between 1985 and 1990, according to a separate OECD study, the EU's share of industrial R&D rose from 27 per cent to 38 per cent of the OECD total, while the US share fell from 51 per cent to a still-dominant 45 per cent. As for inward investment,

the picture is cheerful. In 1985, a third of the world's direct inward investment entered the EU. In the late 1980s, the figure rocketed, and by 1990 reached almost half. Some, such as Japan's investment in cars and photocopyers, owed much to the formation of the single market and the threat of Fortress Europe. Yet, it remains a corrective to the idea that the rest of the world no longer sees Europe as a place to make things.

But what of Europe now? Japan's manufacturing prowess notwithstanding, the OECD's 13-country study suggests some dispiriting answers. Take, for instance, the share of world export markets in manufactured goods. Over the past 20 years, the US has seen its position eroded by Japan, while Europe's position has stayed roughly stable. Within that, though, there has been a tendency for Europe to export more low-technology goods, such as Italian textiles, and fewer high-technology goods, such as computers. In Japan, the trend is the reverse: high-tech sectors provide the fastest growth.

The picture is borne out by data in a recent European Commission publication which ranks sectors in the EU that gained competitiveness in the period 1985-90 and those that lost it. The top sectors are wood processing, ethyl alcohol, cotton manufacture, leather tanning. Among the worst are computers, equipment, medical equipment and motor components.

Before Europeans become too depressed, however, it is worth examining the other side

of the coin: the competitiveness of European management in the wider world.

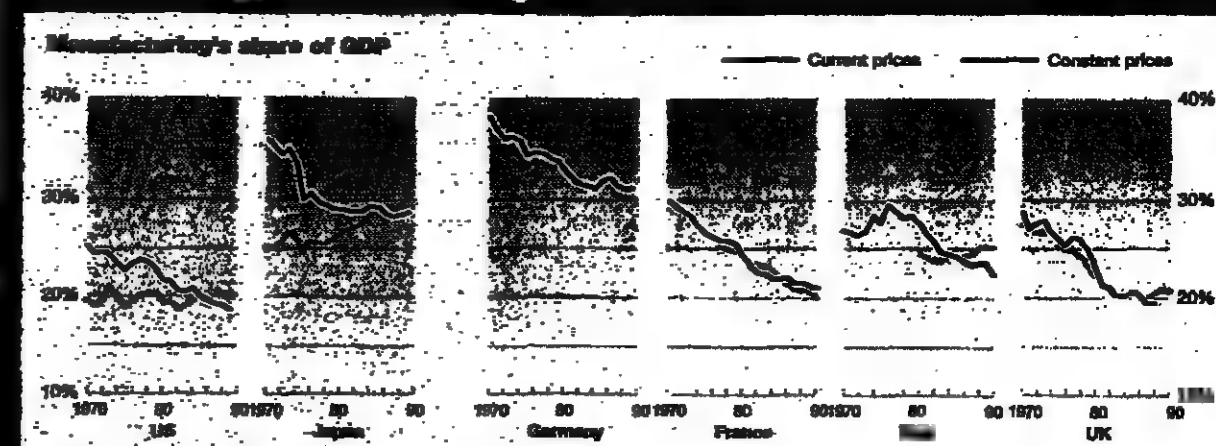
American executives tend to dismiss Europe as an international competitor. But as a senior executive at Siemens, the German electronics giant, remarks, "Americans would off the European electronics industry a decade and a half ago. Yet, in the past decade Siemens's sales in the US have almost trebled to \$5bn, while its US employees have gone from 13,500 to 28,500."

European Commission figures tend to support this observation. In a ranking of the world's top 200 industrial groups by turnover, the EU plus EFTA accounted for 73 companies in 1988, against the US's 79. By 1990 the European total had reached 79, against the US's 68. Europe also overtook the US in share of turnover, with 40 per cent versus 37 per cent. Some of this may be due to currency movements; but there is no doubt European giants like Shell, Roche or Unilever are the equal of their international competitors.

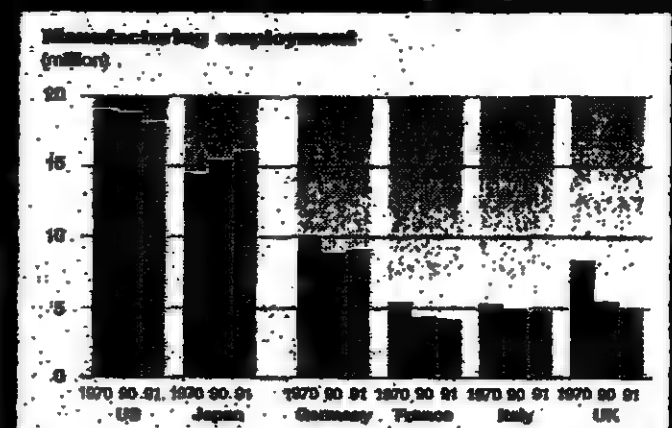
Having a number of star players, though, is not the same as strength in depth. A telling sidelight comes from General Electric, one of the US's most successful companies and its biggest by market value. An important part of GE's strategy has been to avoid areas where Japan is strong and to focus on those where the competition is European, such as lighting, power generation and aero engines.

This might symbolise the danger for Europe. It risks being seen as a soft target: no longer sophisticated enough to match the US or Japan, and too lax and highly paid to match the developing countries. As a half-way house, this is unsustainable. In the long run, European industry must either get smarter, or it will get poorer.

## Importance of manufacturing falls across western world...



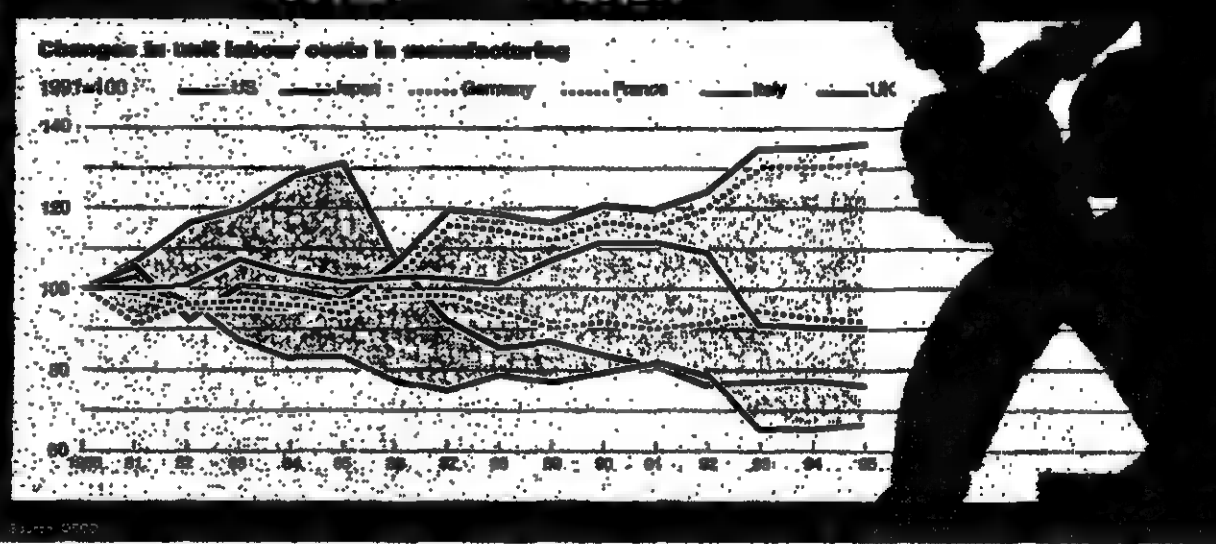
## ...as Europe suffers largest job cuts...



## Shares of OECD trade in manufactures

	1970	1975	1980	1985	1990
US	20.9	21.1	21.7	18.4	17.4
Japan	11.0	13.2	15.5	13.2	11.1
Germany	16.6	12.7	13.1	11.1	10.1
France	9.3	7.7	8.5	10.7	10.3
UK	7.3	5.5	7.1	8.5	8.6
Other	10.4	10.5	11.9	8.6	10.2

## ...and US reduces labour costs fastest



## Flashes of opportunity amid the gloom

Industry's performance  
By Tony Jackson

Europe's industrial performance varies across sectors, as illustrated below. The picture is not one of unrelieved gloom. There are plenty of opportunities as well as problems. The EU is the world's largest car market and the world's largest car producer. However, close to 30 per cent of European production is for sign-owned, with the figure likely to rise to about a third as new Japanese plants reach full production in the next few years. The European industry is also more perceptive than its US or Japanese rivals, though it is striving to catch up. BMW and Mercedes are building

their first plants in the US. In China, European carmakers have established an early lead. Europe is still in an early stage of a huge phase of rationalisation and restructuring. There are six true volume car makers left: Volkswagen, Fiat, Renault and Peugeot Citroën, plus Ford and General Motors of the US. Almost all the smaller players have been absorbed. Though Volvo's merger with Renault is still in doubt, Rover is about to become part of BMW. Among the big players, at least one of the traditional chemistry-based drug industry. The US has a substantial lead here, based largely on its entrepreneurial tradition and huge pool of venture capital. Electronics/telecommunications: The picture is mixed. In telecommunications, Europe has a number of internation-

ally successful equipment suppliers, such as Siemens, Alcatel, Ericsson and Nokia. It has also struck lucky in mobile phones, where the European GSM standard is now becoming a global standard outside the US. This puts US suppliers at a significant disadvantage in an important growth market. In electronics, however, Europe is sandwiched between Japan's dominance in consumer electronics and America's overwhelming strength in high-tech hardware and software. Unlike the US, Europe has chosen to confront Japan in consumer electronics, the result being heavy losses for companies such as Thomson and Philips. Across the high-tech field of computer hardware, software, semiconductors and micro-processors, Europe as a whole is weak and risks getting weaker.

Aerospace/defence: Perhaps the EU's biggest industrial success in recent years has been the establishment of the Airbus consortium as the world's only rival to Boeing in civil aircraft manufacture. The financial cost has been heavy, though, and Airbus's eventual success as an independent entity cannot be taken for granted. In the defence industry, European contractors traditionally enjoyed preferential treatment from their own governments, while the US government was reluctant to allow sophisticated weaponry into foreign hands. With the collapse of the Soviet Union, the picture has changed dramatically. Since 1989, US defence exports have risen from \$6bn a year to \$15bn, while Europe's have halved to around \$5bn. It is not clear that this process is

over. On the other hand, the European industry also lags the US badly in rationalisation. As in cars, this should make for greater efficiency, provided it is undertaken in time. Chemicals: The EU is still by a narrow margin the world's biggest producer of basic chemicals, just ahead of the US and well ahead of Japan. The threat comes from petrochemicals, more than half the sector. Though Europe invented many of the basic plastics, it has some fundamental handicaps. The US and Middle East have cheaper natural gas as raw material. The Far East is the main growth market, and Far Eastern producers are raising capacity accordingly. Several of Europe's leading producers see the long-term outlook as bleak.

Textiles: The EU is still by a narrow margin the world's biggest producer of basic chemicals, just ahead of the US and well ahead of Japan. The threat comes from petrochemicals, more than half the sector. Though Europe invented many of the basic plastics, it has some fundamental handicaps. The US and Middle East have cheaper natural gas as raw material. The Far East is the main growth market, and Far Eastern producers are raising capacity accordingly. Several of Europe's leading producers see the long-term outlook as bleak.

## Labour price falls offshore

Fila, a fast-growing sportswear and maker based in the north Italian textile town of Biella, has found one way of coping with a fundamental problem of European manufacturing. It is trying not to have any. The company started business in 1926 as a family-owned knitwear manufacturer. After widespread changes over the past two decades, Fila's production is now carried out by about 50 independent low-cost subcontractors around the world. Roughly 85 per cent of output came from the Far East last year, with just under 10 per cent of its goods made in Italy.

Fila has switched to Asian production as part of "globalisation of sales, sourcing and creativity", according to Mr Enrico Fracchi, the company's 50-year-old managing director. This has also involved an intense attack on the booming US market, which accounted for 65 per cent of sales last year. Sitting in his office in front of a large wall map of China - "more and more important for our future" - Mr Fracchi says the company's strategy is to be a kind of textbook. The only chance for US and European companies to survive in this field is to do what we did.

Mr Fracchi worked for Fila during the 1970s, presiding over its diversification into sportswear, helped by promotional deals with stars like Bjorn Borg, the Swedish tennis champion. He left in early 1990. After rejoining in 1987, he pushed Fila's US expansion and built up subcontracting. Fila's basketball shoes, tennis gear and ski outfits compete for retail supremacy around the world with leading brands such as Reebok, Nike and Adidas. Now 70 per cent owned by the holding company Gemina, Fila closed its last production line in Biella in 1983. The old factory floor has been refurbished into a lavish auditorium for displaying its latest outfits to the sportswear trade.

Staff in Italy, which totalled 2,500 in the 1960s and 1,800 in the 1980s, has now declined to 270, with a further 670 employed abroad - mainly in quality control, design, distribution and marketing. Turnover has rocketed 10-fold since the late 1980s. Overall sales increased last year to L741bn (\$441m) from L515bn in 1992. Fila hopes to achieve turnover of L1,000bn by 1995. Of its shoe production, roughly 40 per cent is made in Indonesia, and 30 per cent in China. In sportswear, the two countries each account for 30 to 35 per cent.

Mr Fracchi says making up a track suit in an Indonesian or Chinese garment factory costs L5,000, against L35,000 in Italy. Even South Korea is now a relatively high-cost site, with production about 40 per cent more expensive than in China. Saving manufacturing costs releases funds for the company's huge budget for promotion and marketing - last year, L60bn or 8 per cent of sales. With 70 per cent of its costs and revenues in dollars, Fila has become progressively less Italian. Reflecting US dominance in leisure wear, even Italian design is now becoming less important. "Fila is losing the Italian look. There is more feeling for American brands," says Mr Fracchi.

He does not exclude the possibility that, one day, the company may sever its Italian ties altogether. "The European market is a small project. We are beyond this. Our market is the world."

## Three leading European manufacturers employ very different strategies against their international competitors

## Gains via R&amp;D, market share and cost-cuts

Roche  
By Tony Jackson

The Swiss pharmaceutical giant Roche is an example of European industry at its most effective. Last year, the steady rise in its share price made it the most highly valued drug company in the world, overhauling Merck of the US. Roche's success is based on the performance of European workers at home and Swiss-based researchers have discovered a wealth of commercially valuable drugs. Roche has also proved shrewd in acquiring overseas, notably in fornician biotechnology company Genentech.

The achievement owes much to the immense and, no doubt, excessive profitability of the international drug industry, which governments around the world are now trying to control. The results for Roche have been extraordinary. Its spending on R&D has been heavy even by the standards of its industry. In 1992, for instance, its pharmaceuticals research bill came to

SFr1.6bn (\$1.1bn), or 24 per cent of its pharmaceutical turnover. It was also able to plunk down SFr1.2bn for 50 per cent of Genentech, a company which had only \$500m in sales and very little profit. Despite all that, Roche has cash and securities currently estimated at SFr20bn (\$13.5bn).

In the field of conventional drugs, it is worth recalling that Roche's success represents a fairly recent comeback. It had a previous glory phase in the 1960s, based largely on the tranquilliser Valium. As Valium went off patent, Roche spent heavily on the search for replacement drugs. For a while, it seemed the money was being wasted. The real strength of the resulting research pipeline has become apparent only recently. Roche has also built a formidable position in hospital drugs, claiming to sell more drugs to US hospitals than any other company in the world. At the same time, the purchase of Genentech was a particularly bold strategic move, since biotechnology is a field in which the US has a clear lead over Europe. Roche has thus hedged its bets against a possible shortfall in European technology.

Michelin's ability to pursue its aggressive and sometimes risky strategy partly reflects its ownership. As a family-controlled group in the continental European mould, it can afford to be less concerned with quarterly earnings and more with dominance in markets and technologies. The benefits are evident in the initially costly but ultimately lucrative development of radial tyres and in the strengths of geographical diversity. But now a different message is emanating from Michelin's headquarters at Clermont-Ferrand. With its market position established and little remaining scope for growth through acquisitions or new capacity, the company is shifting emphasis towards increased efficiency and higher margins. This is to be achieved partly through new, higher value-added products, such as the green tyre, which reduces fuel consumption.

The company has also embarked on job cuts which have seen staff numbers fall from 140,000 at the end of 1991 to 135,000. Further reductions are expected from the introduction of its Cdm automated and flexible production process.

Philips, the Dutch electronics group, is a classic case of a once-great European company caught between the Japanese hammer and the American anvil. On the one hand, its battles with Japan in consumer electronics have led to huge losses. On the other, it has been obliged to abandon high-tech areas in computers and semiconductors. Philips's basic problem can be illustrated by comparison with one of its chief competitors, the Japanese electronics company Matsushita. A decade ago, Matsushita's sales in dollar terms were smaller than Philips's. They are now twice as large. The growth of the Japanese company in the 1980s owed much to the strength of its domestic market, from which Philips was largely excluded by a combination of protectionism and the peculiarities of the Japanese retail system. But the Japanese advantage, whether fair or foul, was a fact of life. Philips's determination

its pharmaceuticals research bill came to





Twenty years the American journal Science published an article about a village in the Dominican Republic. The article led Merck, the world's biggest drugs group, to develop a drug likely to save billions of dollars in healthcare.

The article looked at the of individuals who until puberty were believed to be female, but they appeared to have a vaginal pouch and a clitoral-like phallus. However, at about 12 the of pseudo-hemaphrodites deepened, their muscles developed and their phallus enlarged to a functional penis.

The authors proposed that this condition was the result of a genetically-caused deficiency of an enzyme called 5-alpha reductase. The enzyme transforms testosterone, the male hormone, into another hormone, DHT, which is involved in prostate growth.

Researchers at Merck quickly spotted the medical opportunities of controlling levels of 5-alpha reductase. If the enzyme is implicated in prostate growth, then it should be possible to block either the production of the chemical or its

According to Leaker, clinical project manager at Merck Research, a quarter of all men in Europe and the US have some clinical signs of BHP by the age of 50.

A quarter of all men in Europe and the US have some clinical signs of BHP by the age of 50.

Europe currently display symptoms. The condition is more common with ageing. Those in developed nations who survive to 90 have a 50 per cent chance of being put either on drug therapy or the operating

BPH is caused by the physical expansion of the prostate from approximately the size of a walnut to the size of a lemon, says Leaker. The expansion of the prostate restricts the ureters through which urine flows out of the bladder. The symptoms of BPH include frequency of urination, hesitancy, leakage and, in some cases, discomfort and pain.

Why the prostate expands with age remains unclear. "It appears to be a natural consequence of becoming older - as inevitable as night

Paul Abrahams reports on the latest advances in prostate therapy, in a series on drug discoveries

## Keeping the knife at bay

following day," says Mike Wylie, director of discovery biology at Merck Research. "We know that DHT is a stimulus to growth. But what is happening at the molecular level is a 'black box'."

The prostate consists of many anatomical elements. There are a capsule within which the prostate sits, the true prostate material, and the muscle tissue around the prostate.

BPH appears to be caused partly by an increase in the number and size of the cells in the true prostate, and by an increase in the size of the capsule and muscle tissue around the prostate.

BPH is expensive. Surgery involves putting a telescoped strimmer device down the penis, is the most common therapy. For men over 60, the risk of requiring such surgery is believed to be per cent 30 per cent. Annually, there are more than 100,000 such operations in the US, costing a total of \$5bn (£2.4bn).

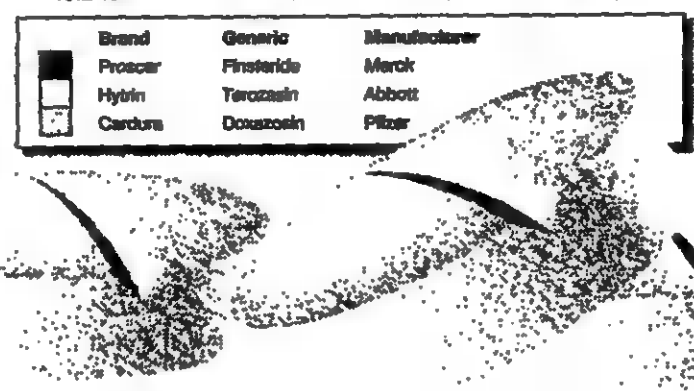
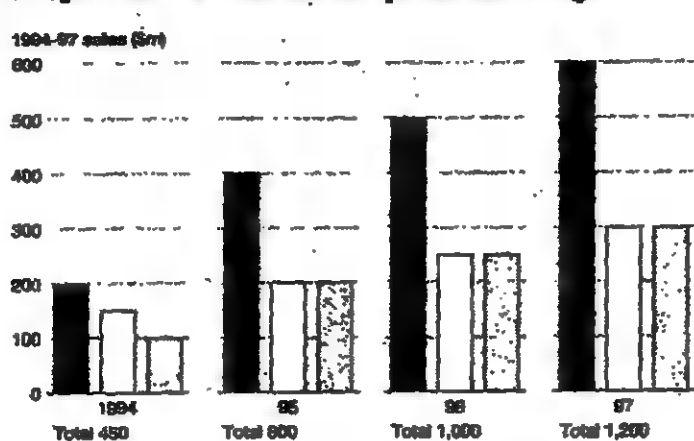
Surgery can lead to side-effects such as impotence, bleeding and incontinence. The operation also involves putting a telescoped strimmer device down the penis, is the most common therapy. For men over 60, the risk of requiring such surgery is believed to be per cent 30 per cent. Annually, there are more than 100,000 such operations in the US, costing a total of \$5bn (£2.4bn).

The only previous medicinal therapy were herbal. "In some patients there is a marked improvement in urine flow with herbal remedies. The problem is that the condition waxes and wanes, dependent on stress, cold, and other therapies. It's difficult to be sure whether the herbal treatment is actually responsible for any improvement," explains Wylie.

After the article, Merck researchers set to work developing a compound that would act specifically on 5-alpha reductase. They discovered Proscar, which in a single dose can reduce the levels of DHT in the blood by an average of 65 per cent.

and heavy financial analysts, and high expectations for Proscar. The company's share price rose to about \$530 a year per patient, is cost-effective. That's why the company at Merck for

Projected US market for prostate drugs



Source: The Growth Report

each procedure. Nevertheless, the growth has been slow. Many urologists have not been convinced about the drug's effectiveness. First, it takes between three and six months for symptoms to improve; second, the drug appears to work in only a minority of patients.

"The problem may be that there are two forms of 5-alpha reductase," says Kurt Hogaboom, associate director of urology and prostate disease at SmithKline Beecham. "Proscar affects type two, but it may be necessary to control type one too."

The clinical trials have also proved difficult to design, given that placebo leads to some well-known side-effects. Although Proscar reduces levels of DHT, the

direct relationship between DHT and prostate size, urinary flow and symptomatic relief is yet to be established.

Merck is frustrated by the slow uptake of what it considers a ground-breaking drug. "This is one of the breakthroughs of the decade," says Roy Vagelos, Merck's chairman and chief executive.

"I would not want to speculate why the urologists have been hostile to Proscar," says Edward Scolnick, president of Merck research laboratories. "The drug changes the disease's natural history and it's safe. It's just not rational not to use it."

The irony is that other companies may benefit as much if not more from Merck's work. Many have

experimented to see if their existing compounds might have an effect in BPH. The most successful have been alpha-blockers, usually prescribed for heart disease.

Alpha-blockers work by preventing the constriction of muscle, explains Aldre Hales, manager in charge of BPH and testosterone development at Eli Lilly. This muscle around the prostate can unusually large because of alpha receptors which are located in the expansion of the blood vessels. By blocking the receptor site, the drug prevents the muscle enlarging and so reduces BPH symptoms.

Alpha-blockers in development are already marketed for BPH include Synthelabo's Xatral; Pfizer's Cardura; Abbott's Hytrin; Yamanouchi's Harnal; and Detrolol. Merck's Recordati's 5-ALPHA-1000 is being co-developed by SmithKline Beecham.

The benefits of alpha-blockers are that they work quickly in relieving symptoms and are effective in about two-thirds of patients. However, they do not alter the underlying condition. In addition, alpha-blockers can cause side-effects such as dizziness and a tendency to reduce blood-pressure which may lead to fainting and fatigue.

A case is on to develop alpha-blockers that are specifically on the prostate. Alpha-blockers have been developed by Toichi Tokemitsu, head director in charge of discovery at Takeda Pharmaceutical Co. in Japan, says rapid advances in molecular biology have allowed scientists to identify alpha 1c, a particular sub-type most prevalent in the prostate.

Merck is not abandoning Proscar. The group is 18 months into a four-year study designed to demonstrate that Proscar changes the disease's natural history.

Meanwhile, SmithKline Beecham is developing its own 5-alpha reductase inhibitor called epristeride. This is being targeted specifically at type one 5-alpha reductase. Pujesawa also has a 5-alpha reductase inhibitor in development.

"We really don't know what is going on," says Leaker. "The greater understanding of molecular biology is going to lead to an exponential increase in knowledge over the next five years."

The series continues next month with a look at treatments for toxic shock.

Drug	Generic	Manufacturer
Proscar	Finasteride	Merck
Hytrin	Tamoxifen	Abbott
Cardura	Doxazosin	Pfizer

## Worth Watching · Andrew Fisher



### Virtual reality heads for the workplace

Virtual reality is coming to the workplace. A project called 'Virtual' - led by British Telecom - aims to create a computer-generated environment in which people can work with much other, wherever they happen to be.

'Virtual' will allow users to work in groups from home or in different cities and countries around the world. Two pilot schemes are being developed. One will improve links between BT's international sales offices; a full view of the total organisation will appear on a single computer screen and users will be able to move round this in 3D and find people and information. The other scheme, in Nottinghamshire, will allow BT's network engineers to co-operate in designing and testing garments. Remote buyers will be able to see clothes modelled on a 'virtual catwalk'. Division, a UK company, will provide systems enabling people to work in the virtual environment, with BT and BTI (owned by BT and BTI) developing the network infrastructure.

BT Laboratories: 016 547448

### 'Handy' microscope developed by Sharp

Sharp of Japan has developed what it claims to be the first 'handy' microscope to feature a still image display. Users point the microscope at the subject and a clearly focused image is projected on to a display monitor. The VL-750M microscope costs around £300,000 (\$450,000). Up to 100 still images can be stored in its display, Sharp says it should be particularly useful for skin and hair diagnoses, surgery

inspection of precision machinery and parts, dental examination and on a number of other applications. Sharp Corporation, Japan.

### ICL's new keyboard aims for comfort

An ergonomic keyboard designed to improve computer typing comfort has been introduced by ICL, the UK computer group owned by Japan's Fujitsu. It also reduces the electricity built up by charging or low humidity. The keyboard has 102 keys, minimises tension and strain on fingers, hands and wrists. Its low front edge and wide range of tilting angles help users find the best typing posture.

The keys are activated by a light typing pressure and are comfortable and quiet for fast typing. An extended spacer means users need not twist or change wrist position. Telephone Technology (ICL distributor): 017 971 9380

### Fax designed for public use

For those who want to send a fax when at an airport, station, hotel or other public place, the French company Schlumberger has developed a terminal which accepts payment by plastic card through an anti-vandal system. Publicfax costs FF47,000 (£7,000) and has a telephone handset for voice communication. Schlumberger says it is the first in its purpose-designed for public use. The user lays the document on the surface of the terminal. The terminal is several inches thick, behind protection. This ensures documents cannot be lost and minimises the potential for vandalism.

Schlumberger, France, 47 02 47

### Light and rugged workstation

Tadpole Technology, based in the UK's Cambridge Science Park, has developed a portable workstation aimed at engineering and commercial users. The light, rugged Sparhawk 3 notebook computer workstations cost £7,850 each (£5,350 with mono screen and no telecoms link). Tadpole Technology: 016 2223 566200

FINANCIAL TIMES  
MAGAZINES

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## INVESTORS CHRONICLE

THE CITY INSIDE OUT

## PEOPLE

### Mann's long stint at Logica comes to an end

David Mann, deputy chairman of Logica, the UK computing services company, is leaving the group he has served for 25 years. His departure will sever one of the few remaining unbroken links with the earliest days of the UK software industry.

Mann joined Logica in 1969 as a systems engineer. He was promoted by Len Taylor and Philip Hughes and was a member of the small group, including the late Pat Coen and Steve Field-

man, which gave the company its distinctive character.

Managing director and chief executive since 1987, Mr Mann steered Logica through some of its lean times and some of its worst. He remembers with a shudder the financial services company simply stopped spending money.

"There is never a good time to leave a company you have been associated with for so long," he said yesterday, going

on to point out that his decision was made simpler by the fact that he was chief executive of the company.

Not yet 50, Mann says he has no fixed plans and an open mind about the future. "I would be interested in non-executive directorships; there was never time for that before." He is also keen to spend more time on information technology-related activities including the British Computer Society. He will take Logica colleagues and members, he says, but not the daily trek into London from his tree-bound retreat in Theydon Bois.

### Nott ventures into ProShare

Gillian Nott, 48, a former BP executive, is to become the champion of Britain's small shareholders. On April 1 she takes over as chief executive of ProShare, the body which promotes wider ownership and is sponsored by the public and private sector.

Nott differs from Maddrell in a number of ways. Maddrell, 57, had been chief executive of a big plc (Footall, taken over by Costa Virella in 1991). Nott, by contrast, comes from a business capital background. She spent 13 years with BP and was director of the oil company's venture capital business until it was sold a year ago.

Since then she has worked as a consultant and has recently completed a study for the Institute of Directors on the provision of enterprise capital in the UK.

She describes herself as a "moderately active" investor and says that after she left BP, she moved to the "something completely different" and "public spirited". She refused to comment on the size of her salary but it is thought to be less than the £100,000 a year which Maddrell was paid by a Sainsbury charitable trust.

It has been known for some time that ProShare was looking for a replacement for Maddrell even though he has only been doing the job since October 1991.

ProShare says he had been hired to get the organisation up and running and now it is time to hand over to someone with fresh ideas. Maddrell has picked up a number of non-executive directorships and a couple of chairmanships and will take over from Sir Peter

### de Zoetes still in evidence

The integrated securities house that grew out of the merger of the City of London and the City of London's grand old names at British Securities, which the names of the families themselves are no longer about either.

Barclays de Zoete, the investment banking arm of Barclays, is under the exception, as is the City of London, who has just been promoted to chairman of BSW's securities division.

Another de Zoete, his 45-year-old partner and son-in-law, also works for the firm in a portfolio management role. The two are great-nephews of John Bevan, senior partner at the City of London in the 1970s.

Previously chairman of the corporate broking arm of de Zoete & Bevan, part of the 1,100-strong equities division, de Zoete succeeds Tim Coghlan, who is retiring at the end of March on his 60th birthday. Coghlan, who has spent 24 years in the City, stays on in a consultancy role.

The firm will be working with the City of London and the City of London's grand old names at British Securities, which the names of the families themselves are no longer about either.

### Private Finance panel

Hugh Jenkins, the Prudential's investment manager, and John Walsley, the former finance director of Enterprise Oil, have joined Sir Alastair Morton's government-sponsored Private Finance working group set up to lead private capital into public sector projects.

Jenkins is the latest recruit to Sir Alastair's 15-strong panel of business leaders and senior civil servants and Walsley, an old friend of Sir Alastair's, is in charge of assembling a full-time executive support team for the Private Finance Panel, as it is now called.

The members of the executive, which is working out of Enterprise Oil's Trafalgar Square headquarters, have been mainly drawn from city firms and are as follows: Jason Pitt (Herbert Smith), Dominic Hollamby (Arthur Andersen), Douglas Hogg (Eurotunnel), Alan Middleton (Price Waterhouse), Luke Talbutt (Freshfields) and Barry Williams (Treasury). (The Observer)

### Non-executive directors

As if he did not have enough to do, Jean Peyrelevade (above), who is currently working on a plan to recapitalize French Lyonnais, the troubled French bank of which he is chairman, is becoming a non-executive director of Barings, the UK merchant bank.

Peyrelevade, aged 54, was chairman of the Union des Assurances de Paris before being brought in to repair the bank's reputation. He is also chairman of the Ocean Group, which is also appointed a non-executive.

Over the past year Barings has added directors with international experience to its board to help reinforce its global activities. In September, it took on Sir William Rye, former chief executive of the International Finance Corporation.

Frank Davies, chairman of the Health and Safety Commission and retired chief executive of Rockware Group, of BARON GROUP where he was chairman, has also been appointed a non-executive.

Stewart Douglas-Mann, and Guinness Mahon's corporate finance department and former head of the London Stock Exchange primary markets division, and John Powell, former md of Prudential's general insurance division, are also non-executives.

Frank Argent, former director-general of NAWDC and a former finance director of English Heritage, as chairman of LINWASTE, and Richard Lee of RICHMOND HOLDINGS.

Bruce Morrison, recently retired deputy chairman of KPMG Peat Marwick, as chairman at BRITISH LINEN when Teddy Boyd takes in April.



## ARTS

## Ballet

## Away from the horrors of ice-dance

These are not times of plenty for dance-lovers in London. Ballet at Covent Garden is, shockingly, in abeyance for a month; Sadler's Wells offers nothing. Were it not for the prospect of Twyla Tharp's superb troupe at Riverside Studios next week, we might suppose that Terpsichore had turned her face against us. That television has been revealing the full horrors of "ice-dancing" from Lillehammer only makes matters worse: we saw prodigious technical skill dedicated to the triumph of the banal, the crass and the bloody-awful. St Vitus is their patron; pop-trash their theme; deep-frozen Kama Sutra their dish. Torvill and Dean merited several gold medals because their movements actually responded to their music.

Meantime, up in Birmingham, that city's orchestral survey of 20th-century music - Towards the Millennium - has turned towards dance in its consideration of the 1930s. Birmingham Royal Ballet has staged a programme of three significant works of the period: *Serenade*, *Job*, *The Green Table*. Each makes a point about the music-theatre of the age, though, save for *Job*, not a musical one. *Serenade* is Balanchine's declaration of intent about America and the classic ballet. It was his first work made for the stage, and it is a masterpiece. In 1933, it showed "innocent" bodies how classicism should move from studio to stage. It was also markedly Russian in responding to Tchaikovsky, greeting a New World with a nostalgic glance backwards, to a dance-system that had to be reinvented for a new land.

The result remains a masterpiece, in its seeming simplicity, in its stunning craft and in its absolute physical rightness. Even after 40 years looking at it, I marvel at how patterns, incidents, spring from the music, live in it, show Tchaikovsky to us in the most loving and generous way.

The Birmingham dancers are, for the most part, willing servants of the choreography. They need to yield more to its impulses - at Tuesday's first performance they looked too much on their best and most reservedly English behaviour - but it is a piece which will do them a power of good. The last movement, where Balanchine colours the dance with hints of narrative about the grief of love lost, was well done. Feelings must not be allowed to get any more explicit, though, and the girls' unbound hair does not require unbound emotions. The girls needed a more secure male presence; Miyako Yoshida was an unfailing delight, clear, buoyant, at every moment, and Andrea Tardiff and Monica Zamora were pleasing as the two other leading women.

I think a case can be made for seeing *Job* as Dame Ninette de Valois' most adventurous choreography. Other works - *Rake's Progress*, *Chickadee*, the merry *Prospect Before Us* - which might be revivables - testify to her dramatic assurance and sense of character in movement. *Job* tells of her sense of architecture, of grand control of means, a bold theatrical vision, rare in its time, and rare today. It is important that this ballet has been so well revived.

I can see no value though, other than as a museum exhibit, in Kurt Jooss's *The Green Table*. I was bored by it nearly 60 years ago when I saw it with most of the original Jooss dancers. It represents a not very distinguished strand in German dance, and an even less distinguished strand of social commentary.

Clement Crisp

## An acquired taste for the pyramids

Robert Venturi put jokey little coloured lotus-column outside the National Gallery extension and IM Pei's pyramid squats in the courtyard of the Louvre. But although post-modern architects and then ancient Egypt as a source for references, re-pro-Pharaonic seems to have had its day. It barely survives, except in the tourist gift-shops of Egypt which are still crammed with pyramid paper-weights and busts of Tutankhamun.

*Egyptomania*, the Louvre's clever, complicated, but indigestible new exhibition, opens a chapter in the history of taste. It shows the many forms for which over two centuries, from 1730 to 1930, western art and architecture gleefully and unself-consciously adapted artistic motifs from the land of the Pharaohs.

Although re-pro-Ramessean is nowadays rejected as kitsch, Egyptian style was once extremely influential. It was more exotic than Greco-Roman, more accessible than Etruscan, and highly prestigious. Egyptian style was enormously versatile, associated with eternity, manliness, sexiness, exoticism, non-Christian piety, and patriotism.

As an architectural style, it was also relatively simple and cheap in comparison with classicism. So it was used extensively, for garden design, prisons, cemeteries, in bourgeois villas, Russian palaces, and the staterooms of Mediterranean cruise ships.

The exhibition will travel to Canada and Vienna, although not all 300 exhibits appear at each of the venues. Yet there is something undeniably special about seeing it in Paris. At the Louvre one is just a step away from the magnificent obelisk looked from the temple of Karnak at Thebes. Close by are squares where grotesque ceremonies were staged in which huge statues of Isis, the Goddess Nature, expressed jets of wine from her breasts into the cups of thirsty revolutionaries. France even has the best claim to be called the cradle of Egyptology, born on September 27, 1822 when Champollion announced that he had discovered how to read hieroglyphics.

How will the exhibition look elsewhere? At the Louvre, the organisers have gone for style over content. Tiny video-screens displayed at the case show pyramids and obelisks in gardens and play extracts from Mozart's *Magic Flute*. The

overall design is a pitch-black labyrinth as if it was intended to evoke some ancient ritual. I found it claustrophobic and tiring.

On the other hand, it made possible a great bit of theatre. Dotted through the darkness are white rooms containing the "real thing", famous pieces from the Louvre's Egyptian galleries. Some pieces are Egyptian and some are Egyptianising Roman sculptures, chosen not just because of their intrinsic merits but because they inspired later artists.

The most remarkable of these antique pieces is the exceptionally beautiful pink marble statue from Munich. It is one of the famous series which Emperor Hadrian ordered to be made to immortalise his lover, Antinous, drowned in the Nile. Because eclectic Rome was so enamoured of her Egyptian colony,

## Patricia Morison reviews 'Egyptomania' at the Louvre

It seemed quite natural that Hadrian should order the gorgeous youth to be represented as the god Osiris. From the mid-18th century, this sculpture could be seen by visitors to the Villa Albani at Rome, setting a standard for Egyptian art (as Antinous was thought to be).

The variety and quality of exhibits is overwhelming, with paintings, furniture, architectural drawings, ceramics, sculpture, jewellery, and fashion accessories. Theatre design gets a corridor to itself. There are important sets and costume designs for the *Magic Flute*, for Rossini's *Moses*, and for Verdi's *Aida*, although, as we are reminded, it was the Egyptologist Mariette Bey who deserves so much of the credit.

Apart from occasional treasures like Schinkel's *Magic Flute* designs and Boullée's project for a warrior's grave, there is almost nothing in the show to which I would give house-room. Not for me the model obelisks and sphinxes for the marketplace, the transcendently elaborate clocks made to look like Egyptian temples or Nubian slave-girls.

Anyone less insensitive to pseudo-Egyptian furniture will discover

and fabulous pieces. Among the most remarkable are two 18th-century bookcases, one for a French civil library and one commissioned by an Austrian abbot. Painstaking copies of Egyptian temple style, they were made expressly to hold the 25 volumes of the celebrated *Description de l'Égypte*. Remarkable too, is a late 18th-century grand piano made with two pharaonic noblemen to each leg.

The selection of paintings is quite remarkable, including many comically ghastly 19th-century specimens many of which look still worse for being badly lit and in a solidly Egyptian style. They make the point well, however, that successful painters needed to read up Egyptology if they were to tackle popular subjects like Moses in the Bullrushes, or the Death of Cleopatra.

John Martin's "Seventh Plague of Egypt" and David Roberts's "Departure of the Israelites" vie to express the sense of grandeur of Egypt. Many of the most successful painters and paintings of the age were Egyptian-minded; Gustave Moreau, Hans Makart, and Eilsh Whittaker's "Man Questioning the Sphinx" of 1863. Sir Edward Poynter's epic vision of forced labour, "Israel in Egypt", is pure Hollywood and too exhausting to look at for more than a minute at a time. Images of Cleopatra have a separate section in which the supreme horror is Canelet's Salon painting of Cleopatra trying out poisons on her slaves. Fascinating, too, to see the notorious sado-erotic shocker of 1885, Federico Faruffini's "Sacrifice of an Egyptian Virgin to the Nile".

Luc-Olivier Merson's "Rest on the Flight into Egypt" is another impressively aware example of a painter taking Egypt seriously. In fact it is a copy made in 1980, the year after the original had enraptured visitors to the Paris Salon. On a moonlit night, Joseph lies flat out on the sands and the Virgin Mary sleeps between the paws of the Sphinx. The unearthly radiance emanating from the Christ Child in her arms inspired the novelist J.K. Huysmans to dub the picture, "Virgin and Sphinx, Jesus and mayonnaise".

*Egyptomania* continues at the Louvre until April 18, sponsored by Fondation Electricté de France. It then travels to Ottawa and Vienna.

## Theatre/Paul Driver

## Beckett plays with master and slave

as the sightless, anguished, crotchety egomaniac, Hamm; and Lucky - zante in *Godot*, serve for his famous single outburst of "thinking" - has become the more talkative, though grimly laconic, Clov (who does, at one point, pass along "having an idea"). The Godot-expecting tramps Vladimir and Estragon are downgraded in *Endgame* to Hamm's legless, dastardly "accursed progenitors". Nag and Nell, who too have spent happy days in the French countryside, or think they have. The small boy appearing like a perplexed angel at the end of each *Godot* act, does not need to take corporeal form at the end of *Endgame*: he is merely, movingly, postulated.

In each play there are knockabout routines (with trousers) and gags at the expense of the audience and the theatrical illusion; but *Endgame*'s long-ringing alarm clock has a power beyond the vaudevillean.

Each play is consumed with passionate meditation on time and human frailty - but in *Endgame* the irony of tragic poetry seems to me even greater than in *Godot*, just as its construction is all the more lethally taut (a single act of under 90 minutes).

Even though its title has practically entered the English language, 'Waiting for Godot' is really a rough draft for his later work 'Endgame'

But perhaps I only feel this way because *Endgame* is a performance so roundly superior to that of *Godot* as staged by Elephant in the Edinburgh Lyric Studio. The idea behind director Lisa Forrell's interpretation is that the two men are being hunted in the Levant; so we get the sounds of sultry pipes, surging

sea and desert wind; we see hieroglyphics on the low stone wall and a big Mediterranean moon; but we also get incongruous reminiscences of the Pyrenees and Macon County.

If we get 50 per cent of Beckett's text, I should be surprised. Nadim

Kevork Malikyan's Estragon was better; Bruce Purchase's big and big-bellied Hamm was enjoyable too. But the most surprising and surprising of all the more surprising was a convincing study in irony, sweat, and mania. Even in his chattering tirade, writhing and spluttering, he firm precedence over the work. *Endgame* it was not a 100 per cent patter-song approach; and altogether the production expressed a fullness of the verbal.

But Beckett plays, owing their coherence ultimately to poetry, can only properly work through verbal precision and a careful rhythm of pauses. "Rather difficult" Beckett wrote to Alan Schneider of *Endgame*, "mostly depending on the power of the text to claw."

Drama and pure gesture come alive once that has been well understood, as it so gratifyingly has

been at Battersea. Scarcely a comma is out of place in Alasdair MacIntyre's wise and stirring production. With Brian Matthew and his wife Pamela Wickington a superbly turned Ham and Nell; Peter Bourke a stooped, writhing Clov, clad in woollen coat and ineffectual breeches, dressed with a London taxi-driver's weary reasonableness that makes his tragicomic all the more surprising and potent; and above all, John Quentin's magnificent, unforgettable, hardly to be mistaken Hamm.

It is Shelley's "old, mad, blind, despised, and dying king", enthroned on his armchair in dressing gown, toque, thick socks and purple with lavender handkerchief over his face ("Old stancher! You remain!"): thus in situ at the start and even after the final applause. His fleet changes of facial expression, perfect, calm, pacing and hammy, slightly Glasgow-favoured, produced an effect by turns hilarious, starkly poetic, and heartrending. His intermittent howls smacked of King Lear - to whose tragedy *Endgame* is a worthy pendant.

## INTERNATIONAL ARTS GUIDE

## Modernists in Vienna

Kokoschka, Chagall and Picasso are the subject of separate retrospectives in Vienna next month, and are also represented in a show devoted to 20th-century masterworks from the Guggenheim Museum in New York.

The Kokoschka exhibition can be seen at the Albertina from March 2 to May 22. It comprises 200 of the Viennese Expressionist's early works, primarily drawings and watercolours - including studies for the legendary Wiener Werkstätte, the famous portraits of Karl Kraus and the fans for Alma Mahler, Kokoschka's muse (Augustinergasse 1, Daily).

The Guggenheim show runs at the Kunstforum from March 4 till June 5. It offers a representative selection of classic Modernism, with 70 major paintings and sculptures by Picasso, Kandinsky, Klee, Matisse and Modigliani among others (Freyung 8, Daily).

The Chagall exhibit can be seen at the Jewish Museum of the City of Vienna from March 11 to June 12. It comprises 50 oil paintings, watercolours and drawings from Chagall's Russian years (1905-20), most of which have been seldom seen in the West. Among the main attractions are several larger-than-life paintings, and imaginatively coloured works capturing the village atmosphere of the artist's White Russian home (Dorotheergasse 11, Closed Sat).

The Museum of the 20th Century focuses on Picasso. There will be 150 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection, offering an overview of 70 creative years (Schweelzergarten, Closed Mon).

## EXHIBITIONS GUIDE

**AMSTERDAM**  
Rijksmuseum Dawn of the Golden Age: 350 works offering a magnificent survey of Northern Netherlands art around 1600. Ends March 6. Dutch Figure Drawings 1700-1850: a survey of a popular genre in Dutch art in the 18th and 19th centuries. Ends May 1. Closed Mon.  
Van Gogh Museum Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by one of the most important 19th-century monumental artists, whose murals grace many public buildings in France and who became a major influence on the Post-Impressionists. Ends May 29. Daily.

Museum Het Rembrandt The Netherlands from Life: 90 prints of landscape and rural life by Ruesscher, Rembrandt, Van de Velde and others. Ends March 8. Daily.

**BERLIN**  
Haus der Kulturen der Welt The Gardens of Islam: paintings, jewellery, textiles and carpets from Indonesia, the Middle East and Africa, depicting the garden as an otherworldly paradise. Ends April 4. Closed Mon.  
Brücke Museum Fritz Bleyl (1898-1970): more than 100 drawings, watercolours and prints by one of the founders of the Brücke. Ends May 16. Ernst Ludwig Kirchner: street scenes 1913-15, the high point of Kirchner's expressionism. Ends May 16. Closed Tues.

**BONN**  
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland: a comprehensive retrospective of the Spanish film director (1900-83), showing the common ground between his films and Surrealist art. Ends April 24. Closed Mon.

**BRUSSELS**  
Palais des Beaux-Arts The Closed Garden of the South: works of art by women belonging to religious communities in the Low Countries from the 13th century onwards. Ends May 22. Closed Mon.

**COPENHAGEN**  
Statens Museum for Kunst Fra Bartolomeo: 100 drawings by the Florentine master, including sketches for altar paintings. Ends March 6. Richard Mortensen (1910-): retrospective of the Danish abstract artist. Ends April 4. Closed Mon.

**DUSSELDORF**  
Kunstforum Nordrhein-Westfalen Richard Long (b1945): an installation by the English sculptor, using Riverford materials. Ends April 24. Closed Mon.

**HEILBRONN**  
Städtische Museen Catalonian Sculpture of the 20th Century: 80 sculptures by 18 artists, including Miro, Picasso, Dalí and Tàpies. Ends April 10. Closed Mon.

**LONDON**  
Tate Gallery Picasso: 200 sculptures, paintings, drawings and ceramics, focusing on the relationship between sculpture and painting. Ends May 8. Daily.  
National Gallery Claude: The Poetic Landscape. Ends April 10. Daily.

**MADRID**  
Whitechapel Art Gallery Medardo Rosso (1859-1928): the first major retrospective in Britain of the Italian Impressionist sculptor. Ends April 24. Closed Mon.  
Victoria and Albert Museum Fabergé: 350 treasures created in Imperial St Petersburg. Ends April 10. Daily.

**MILAN**  
Royal Academy of Arts of the Ancient World: 300 masterpieces from the George Ortiz collection. Ends April 6. The Unknown Modigliani. Ends April 4. Daily.  
British Museum The Study of Italian Drawings: an affectionate tribute to the late Philip Pouncey. Ends April 24. Daily.  
National Portrait Gallery Holbein and the Court of Henry VIII. Ends April 17. Daily.

**MUNICH**  
Fundation Juan March Goya: the first opportunity in Spain to see the entire, magnificent range

of the artist's graphic output. Ends May 20. Daily.

**MUNICH**  
Kunststiftung Hypo-Kunststiftung Pierre Bonnard: 130 paintings and seven sculptures by the Nabis artist. Ends April 24. Daily.

**MUNICH**  
Lenbachhaus Sophie Taeuber-Arp (1899-1943): retrospective of the influential early 20th-century German painter. Ends March 13. Closed Mon.

**MUNICH**  
Villa Stuck Dan Graham (b1942): pavilions, video-installations, photoworks and large scale models by one of the leading American conceptual artists. Ends April 24. Closed Mon.

**MUNICH**  
Museum of Modern Art Frank Lloyd Wright: 30 scale models, architectural fragments, full-scale constructions and 350 original drawings, many never previously shown in public. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three Bauhaus artists. Ends May 17. Closed Wed.

**MUNICH**  
Metropolitan Museum of Art Lucian Freud. Ends March 13. Degas Landscapes. Ends April 3. The Golden Age of Danish Painting 1780-1850. Ends April 24.

**MUNICH**  
David Friedrich to Ferdinand Hodler: 19th-century paintings and drawings from Germany and Switzerland. Ends April 24. 16th Century Italian Renaissance Drawings in New York Collections: little-known works by Raphael, Michelangelo and Titian. Ends March 27. Closed Mon.

**MUNICH**  
Guggenheim Museum Robert Morris (b1931): 170 works in minimalist. Ends April

**MUNICH**  
The main museum is closed on Thurs, the SoHo site on Tues. Ends April 11. Closed Tues.  
Museum d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: three monumental versions of the Dance. Ends March 6. Closed Mon (11 ave du Président Wilson).

**MUNICH**  
Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues.  
Musée du Luxembourg The Glorification of Saints in the Limousin Region: 100 examples of religious art from the Middle Ages to the 20th century. Ends March 8. Closed Mon (19 rue de Valenciennes, on Luxembourg gardens).

**MUNICH**  
The Normans 1030-1200: a vast exhibition examining every conceivable aspect of this extraordinary people. Includes scale models of fortified castles and objects in gold, silver and ivory from 140 American and European museums (250 pieces from the Caen Museum in Normandy alone), and a reproduction of the Bayeux tapestry. Ends April 30. Closed Mon.

**MUNICH**  
Chiesa San Bartolomeo Tintoretto: 15 religious paintings from Venetian churches. The aim of the exhibition is to present paintings not normally accessible to the public, such as the cycle of six canvases illustrating the life of St Catherine. Ends May 1. Daily.

**MUNICH**  
Museum Correr Pietro Longhi: an exhibition of paintings, comprising mainly elegant genre scenes, by the Venetian rococo artist. Ends April 4. Daily.

**WASHINGTON**  
National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. Renaissance Portrait 1400-1600. Ends May 1. Hans Memling's St John the Baptist and St Veronica: two panels by the late 15th-century painter from Bruges. Ends May 15. Daily.

**WASHINGTON**  
Phillips Collection Brancusi: photographs and sculpture by the Romanian modernist. Ends April 17. Daily.  
Renwick Gallery William Deacy: ceramic works and drawings by one of the leading figures in the history of American crafts. Ends April 17. KPMG Peet Marwick Collection of American Craft: 22 high quality works made of clay, fibre, wood, paper and metal, by 18 artists. Ends April 17. Daily.

**WASHINGTON**  
Von der Heydt-Museum From Cranach to Monet: 72 paintings from the Romanian modernist. Museum in Bucharest, including works by Rubens, Rembrandt, Tintoretto and Sisley. Ends March 20. Closed Mon.

**ZURICH**  
Kunsthaus Richard Gerstl (1883-1908): 70 portraits and landscapes by the least known of the great Viennese Expressionists. Ends May 8. Closed Mon.



The firms argue that they are increasingly seen as tempting targets for plaintiffs because they are perceived to have "deep pockets" - substantial resources generated by profits or insurance cover. The potential defendants in corporate collapses, such as directors, have minimal assets and are pursued for compensation.

In a statement on Tuesday to the Department of Trade

## Auditors want to put a cap on their liability, says Andrew Jack

For the largest eight firms, insurance premiums, negligence claims and legal fees proportion of audit fee income are calculated to have risen over the past decade from 1.5 per cent to 8 per cent.

Not surprisingly is swayed by such figures, however. There riddled with the illogic that "not only arise through self-interest. Auditors have been given a government license to conduct their work. That comes with a cost. Just show a case in the last 10 years where the firms have paid out unjustly."

Unless firms furnish additional financial information to the government and an analysis is undertaken of the quality of the audits for which they have been sued, convincing the DTI and the wider public to support their case may prove difficult.

## Joe Rogaly

miracle, they are only three years previously. They are nowhere to the north of nearly a fifth of the electorate. They have since equalled or outperformed Labour in local elections all by-elections. Their support is, at last, geographically concentrated. This gives the Tories a better chance under the first-past-the-post system. An analysis of opinion polls and other statistical evidence published by the Election Research Society yesterday suggests that the Libs now might be the biggest gainers in the elections to the European parliament on June 10. Victories are also anticipated in the local council elections in May. All this, plus the possible capture of Eastleigh from the

He found optimism to balance the gloom. When people were in trouble, he said, they turned to things like themselves, through self-help, community organisations, small businesses and the like. He encouraged the search for a substitute for "finding hope in the past". He said the Government's "new" policies would make travel. The country will not solve its problems unless we can unleash the power and imagination of Britain's communities," he writes. Westminster, the home of the national Parliament, is not far from the scene of the trouble. It has become one of the "hot" spots of the problems.

It is not easy to point out what is winning at Westminster. But always there is a particularly knotty problem for the Lib-

\*Simon & Schuster, London.

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5938. Letters should be clearly typed and ~~all~~ hand written. Please set fax in this resolution

**Mr. A A Sommer Jr.**  
Sir: I am with interest your article, "Auditing the auditors" (Management, February 7). Certainly management must ensure that it receives full value in exchange for a reasonable fee for audit services.

However, the Public Oversight Board, which oversees the review programs of the American Institute of Certified Public Accountants in the US, is concerned that undue harsh bargaining with regard to audit fees may result, and, according to information we have received, has resulted

in auditors taking measures to reduce the amount of work done in connection with audits. This has led to a consequent lowering of the quality of the audits.

In our report of March 1980, we strongly urged the directors of the Board to resist the temptation to drive the hard bargain, possibly gain lost time damage to the quality of the audits they receive.

**A A Sommer Jr.**  
**Public Oversight Board,**  
**One Station Place,**  
**Stamford CT 06902,**  
**US**

# Economy as a lottery

*From Mr Robert Harris*

Sir, Surely you do not believe that the panel of "wise men" (leading article, February 12) was put up to advise the public and demonstrate the willingness of government to listen to its critics? It was really a cunning ploy to ensure the best-paid experts don't know what's going to happen, even what should be done to make it better.

As Michael Britton

recently with OECD for we could have done so by throwing it.

With the opposition differing from the economic policy, now time to hand over control of the economy to a truly independent body: the National Lottery.

Yours blood,  
Richard Street Associates,  
The Hat Factory,  
16-18 Hollen Street,  
London, W1P 6AA

From **M. M. Barclay**,  
Sir, While the position out-  
lined by Mr C. W. Dawds (Letters,  
February 19) regarding share  
options is correct, it is not  
another central point. Share  
options, as well as rewarding  
directors, normally, by their  
structure, tie them to a com-  
pany for a number of years as  
it is usual to have a waiting  
period before the option can be  
exercised.

A cash bonus scheme could  
only achieve the same aim if  
payment were delayed for sev-  
eral years, perhaps on a  
"rolling forward" basis.

**M M Barclay**,  
**Edinburgh Industrial International**,  
700 Parkhurst Street,  
London EC3M 5LQ

From **Mr Peter Newhouse**,  
Sir, Mr Alan Jude's (Letters,  
February 19) comments that the  
value of share options is not  
the same as the share price they  
are granted. As he is not asking  
for the impossible! Even as it  
stands, the value of the value of  
traded options is reported on a  
daily basis. It is misleading to  
state that the application of a  
Black-Scholes formula (used as Jude & Scholes) to  
directors' remuneration will  
solve corporate governance  
problems. Further forward. The real  
problem with share options is  
that they really do not do what

they will be worth. Executives  
and companies alike quite  
rightly take the view that  
the time to grant the value lies  
in an as yet unrealised pro-  
spect of gain.

The solution lies not in the  
"proper disclosure of the value  
of the option grants" but in  
changing the role of shares as  
long term incentive.

For top management to grant  
share options (not options) as a  
reward of the company's perfor-  
mance and then locking up  
those shares for a holding  
period, the company can have  
a real prospective value in  
both executive and shareholder  
terms. This arrangement, unlike  
share options, creates a stable  
base of the executive's wealth.  
Like other investors, will be  
money if that share price falls.

The larger companies are  
now replacing directors' share  
options with this kind of  
scheme, so the joke of it is that  
by the time the accounting  
standards board finally  
issues a ruling on disclosing this  
value of share options in the  
annual accounts, the share  
options may no longer rep-  
resent a significant part of direc-  
tors' remuneration packages.

Peter Newhouse,  
director,  
**M M & K**,  
1 Bengel Court,  
Barnhill Lane,  
Barnhill, **Edinburgh** EH6 6RN

## Euro Disney still missing a trick

From Dallas Willcox.

Sir, Euro Disney may want your readers to believe prices have been reduced ("Euro Disney shares slide on [redacted] restructure", February 28), but there was no evidence of this when my family and I were at the resort a week ago.

I wrote a letter to Euro Disney's managers upon our return, we found food and gifts to be just as expensive as they were on our first visit, in July last year. Food was about [redacted] in the UK; the gifts on which we are dependent in Britain were at least [redacted] per cent dearer; the variety of food available [redacted] continues to be disappointing.

Euro Disney is still maglo [redacted] the kind of encouraging improvement which has still not [redacted] perfected.

Willcox,  
2 Elphinstone Road,  
Thundersley,  
Brentford, Essex SS17 3LF

## Zealousness costs dying dear

**From Mr Anthony Steen MP:**  
Sir, It's not just living but the risk of dying which will be [redacted] many people's reach ("Rule change may push up funeral costs," February 22).  
How do I think Europe can be blamed for a possible increase in funeral costs.  
It is more likely that an over-zealous interpretation by our public [redacted] of rules and regulations made under the Environmental Protection Act [redacted] but not with Brussels [redacted] the UK government which has allowed civil service far too much latitude. Nor can we wait for the passing of the deregulation bill, currently before parliament; the bill's teeth may yet be sharpened [redacted].  
**Anthony Steen,**  
*House of Commons,*  
*Worthing*

## No foul play over rent reviews for commercial properties

**Peter M Wilkinson** ■ ■ ■  
Tregear  
(Letter February 9) questions  
the "sense and legality" of  
upwards-only rent review pro-  
visions in commercial leases.  
But he presents no evidence to  
support the emotive sugges-  
tions that such provisions have  
led to "agony" for tenants.

In its submission to the govern-  
ment's recent review of the  
commercial lease structure,  
the British Property Federa-  
tion supplied detailed research  
on the effects of upwards-only  
rent reviews on the RPI-linked  
market. The principal conclu-  
sions of this research were:

1. For all but about one-third of the leases, there has been no real price increase above inflation since 1970. In fact, rents have been at a higher level than either real or nominal income or rental values.
2. Rental values moved below their real prices in the early 1970s and late 1980s, but increased again only for a period of about three years.
3. Of new leases agreed on conventional basis in each year from 1960 to 1989, over the past 22 years all but those let in 1989 and 1990 would have produced savings for tenants compared with RPI-linked leases. The average amount of savings to this date would have been 10%.

cast of the latest rent bill.

From this it may be seen that Mr Tregear's passion is to cry of a bad play.

The government is expected to make an announcement on the conclusions of its review shortly. There is no one for intervention based on the suggested effects of UORRs as a principle. The market has responded that it is able to respond to rent levels of 10 and 10-year commercial rents are available, as are break clauses. The market has much commercial property also responded to the pressure in tenants' favour.

Over many weeks, ministers have much play in the government's deregulation initiative and, particularly, the powers it needs to repeal legislation burdensome to business. The commercial property market responded to the rapid change in clients' needs. It would be a particular irony if the government were now to ignore its own guiding principle of minimum intervention by distorting the market.

William McKee, director-general, British Property Federation, says: "The bill is a disaster for Catherine Place."

London

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## FINANCIAL TIMES

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Friday February 25 1994

## Yeltsin bends to the winds

The west can no longer base its policies on the assumptions that Russia will manage market-oriented reform, remain democratic and continue to be co-operative. But it must also prevent prophecies of doom from becoming self-fulfilling. Unfortunately, past performance does not suggest it will walk this tightrope with skill.

Russia's more assertive stance in eastern Europe and the Balkans, a spy scandal in Washington, the decision of the parliament to grant amnesty to organisers of last October's uprising and Mr Yeltsin's speech yesterday all give cause for concern, particularly after the election results and the resignation of reformers from the government. The speech shows how far the Russian president feels obliged to adopt the attitudes of his opponents. It also demonstrates the lack of any coherent economic policy.

What were Mr Yeltsin's main themes? That the Russian state must be strengthened; that it must defend Russians living in the "near abroad"; that Nato must not expand; and, finally, that the tax burden must be cut, while both the poor and a range of strategic industries are helped.

What, other than that the Russian president is confused, can be concluded from this titanic? One conclusion is that a weakened Mr Yeltsin is trying to marry the reforming hedging with the reactionary snake, the mistake for which he once condemned Mr Mikhail Gorbachev. A second is that this is unlikely to endure. Yesterday the rouble fell from

1,624 against the US dollar to 1,657. Accelerating inflation is unlikely to prove a workable - still less a palatable - way of bridging the gap between claims upon the state and the inability of that state to meet them.

This government will soon find itself in dire straits. The west must be able to respond to that eventuality, for it is conceivable - if unlikely - that another window for reform would then emerge. The meeting of the finance ministers and central bank governors of the Group of Seven leading industrial countries in Germany this weekend is the occasion for discussing what it would then do.

Apparently, the finance ministers and central bank governors intend to ask the new Russian government to assure them of its determination to bring the country's inflation under control. In return, they hope to liberate the funds agreed at the last world economic summit in Tokyo. Nothing could be more ill-timed. The Russians would be worthless, and aiding a government that has no real commitment to reform, after failing to aid one that did, would be typically absurd.

Western policy must be a nuanced holding operation. Russia is not yet a reliable friend. Nor is it a convinced enemy. The west bears part of the blame for the failure to achieve the former. It must avoid acting now in ways that guarantee the latter. The only possible approach is to respond to provocation, while encouraging co-operation. It will not be easy. But who imagined it would be?

## Private finance

Public spending outstrips the willingness of taxpayers to fund it in most countries of the OECD. Yet there remains considerable demand for greater investment in infrastructure such as roads, railways and river crossings. Public services are also denied funds for desirable capital projects.

Demographic trends mean that such pressures are likely to increase. A shrinking band of people of working age will have to finance public services while demand for those services rises from the growing band of those who have retired. The idea of meeting needs for public services and infrastructure through private sector investment is proving attractive in many countries.

This week's decision by the UK Labour party to explore the private financing of public projects is therefore welcome. A party that promises better public services needs to explain how it will fund them in an era when the taxpayer demands more for less. Harnessing private sector capital and management expertise may be one way of achieving that. If Labour's initiative is to be convincing, however, the party will need to reconsider its policy of clamping down on the private sector in the National Health Service.

Despite this inconsistency, Labour's conversion has succeeded in discomfiting the Conservative government whose private finance initiative, launched in November 1992, has yet to show any real progress. A list of projects issued by the Treasury as

evidence of its success is heavily larded with proposals that have yet to get off the drawing board. The accompanying brochure is consequently filled with artists' impressions rather than pictures of holes in the ground.

The absence of progress has created a mood of cynicism among those who might build or finance infrastructure projects. An attempt to sell the government's initiative to the City at the Mansion House on Tuesday encountered deep scepticism. As Sir Alastair Morton, the businessman brought in last November to push the initiative forward, observed, a lot of businesses have spent a lot of money on proposals and so far have very little to show for it.

One reason for this is that there is still not a clear understanding in Whitehall of the level of risk that the private sector will assume in joint projects. Another is that there are too few incentives for civil servants to approve them. The search for a perfect formula means that the best has become the enemy of the good.

One way to shift the logjam would be to set targets for involving the private sector in areas of public expenditure where the greatest contribution could be made. Broadcasters, for example, are already required to use independent producers for 25 per cent of their output. The Social Market Foundation, an independent think-tank, recently proposed similar targets for organisations financing public services. The proposal has merit.

## Over to LegCo

Mr Chris Patten, the governor of Hong Kong, will today publish the second and more controversial of his two electoral reform bills. China has not availed itself of the chance for further discussion offered by Mr Patten's decision to delay this bill, while going ahead with the supposedly "straightforward" items in a separate bill which was passed by the Legislative Council (LegCo) on Thursday. Mr Patten could not delay any longer if arrangements are to be in place for next year's election.

He has not chosen to incorporate into the bill any of the concessions which Britain offered during eight months of fruitless negotiations with China last year. These concessions were not popular with the pro-democracy block, which comprises most of the directly elected members of LegCo, and without whose support the bill would certainly not pass. But, by publishing a detailed record of the negotiations in a white paper yesterday, the British government has dropped a broad hint to centrist members of LegCo about the sort of amendments it could live with. Mr Patten's advisers reckon the pro-democracy group are more likely to vote for the bill after it has been amended in LegCo than if the concessions are presented as British government policy.

Outsiders may well wonder what is the point of this parliamentary game, when China is serving notice that it will ignore the result and dissolve the offending LegCo as soon as Beijing

assumes sovereignty in 1997. It seems quixotic for Britain, after conceding so much, to be jeopardising its relations with the world's most populous country and fastest-growing economy for the sake of a few extra seats in an assembly which will only last two years.

With hindsight, it seems naive of Mr Patten to have imagined that he could persuade China, by a public demonstration, to accept more than it would in private talks. He shall never know whether, if he had chosen this method, China might have been more willing to accept the "through train" arrangement giving LegCo members elected in 1995 security of tenure until 1999.

Yet if he had not set out his proposals in public he would certainly have been criticised, both in Hong Kong and in the UK, for not even attempting to set up a representative legislature before handing the colony over to Chinese rule. Wednesday's vote on his first bill, when he actually had a majority larger than the one that backed his original proposals, and including almost all the directly elected members, suggests that support for what he is trying to do persists among the general population, although this is not true of the business community. At least this way he is giving Hong Kong people the chance to experience two years of relative democracy, if they so choose, and to leave China's rulers with the responsibility of dismantling it in full view of the world, if they so choose.

Mr Malcolm Douglas wants to build a crocodile farm in Broome, 2,000km to the north of Perth. It already has a crocodile park in the coastal town, but said it had become overcrowded to the point at which the crocodiles were mauling each other. The business as it stands is too small to be viable. If the new project were to go ahead, about 20 jobs, in an area with limited employment prospects, could be created.

The problem Mr Douglas has is that the local Yawuru Aboriginal people believe the proposed 21-hectare plot lies on land of spiritual significance, and that the development could interfere with their ceremonial rites. So under legislation that came into force on January 1, they have lodged a claim with Australia's Native Title Tribunal, a new federal organisation to arbitrate on indigenous peoples' land rights.

It is one of the first demands to be submitted to the tribunal. The process will be complex. First, the veracity of the tribe's anthropological history must be established. Next, the claim must be registered and advertised in local papers. Finally, hearings to determine the claim's merits may take place.

Meanwhile, Mr Robert Tickner, federal minister for Aboriginal affairs, has ordered a 30-day halt to work on the site. "At last it has been recognised that our cultural heritage is threatened," said Frank Jaggwee, a Yawuru spokesman.

Elsewhere, other cases are beginning to be brought under Australia's native title legislation, which was passed by parliament just before Christmas. The first claim - from the Wiradjuri people over land in New South Wales - passed the anthropological test yesterday.

Today debate over the degree to which the act impinges on state rights is expected to dominate a meeting in Hobart, Tasmania, of the prime minister, Paul Keating, and Australia's state premiers.

The law stems from a 1992 High Court ruling that said, for the first time, native title rights could exist in Australia. The indigenous inhabitants had maintained a "close and continuing" association with a piece of land.

With that single ruling, the doctrine of terra nullius - the notion that Australia was unoccupied prior to European settlement - was overturned. Until then Australia had been the only former British colony not to recognise land ownership by the indigenous peoples - lagging Canada by 200 years and New Zealand by a century and a half.

The High Court ruling, however, was a mixed blessing for Australia's 265,000 Aborigines, who account for 1.6 per cent of the population. While acknowledging native title rights, the court also declared that existing leasehold or freehold titles, which had been granted lawfully, should not be disturbed.

Faced with squaring these two seemingly conflicting requirements, the government drew up the Native Title Bill. This set out a system for "validating" most existing land titles, and formally cancelling competing native title rights. Compensation for genuine Aboriginal claims would be paid by either the state or federal governments.

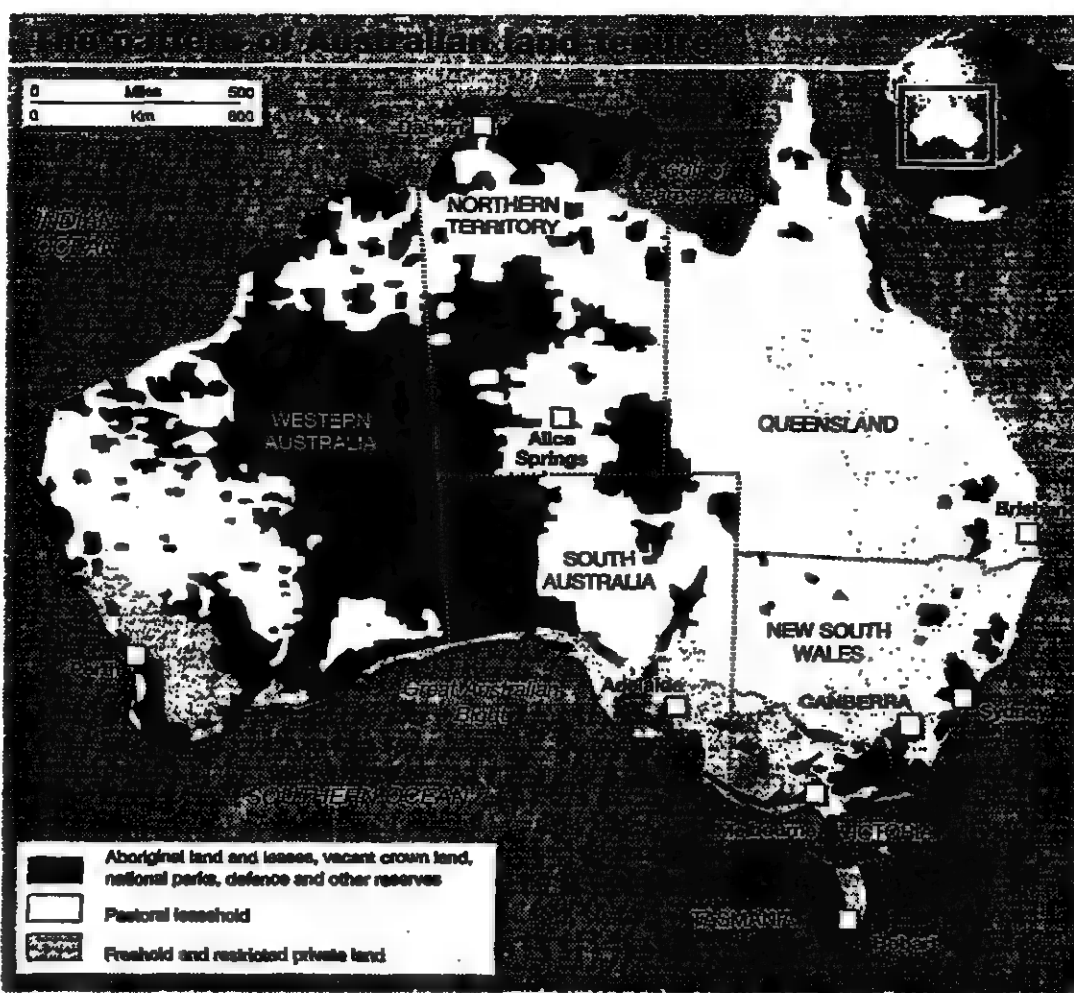
The law also made an exception of mining leases. For these, it said, native titles could coexist with an existing lease and "revive" when that lease expired.

When the Native Title Act was passed on December 21, Mr Keating said it offered "a modicum of justice to indigenous Australia". He added: "Today, we move closer to a united Australia which respects this land of ours."

But as the legislation comes into operation and claims, such as that from the Yawuru people, start to arrive at the tribunal, the effects are proving more complicated. The legislation was a political compromise between conflicting interest groups and, like most compromise deals, it extracted a price all round. Those affected fall into four broad categories. The first comprises the Aborigines and the indigenous

## Nikki Tait examines the impact of Australia's new legislation on relations between Aboriginal peoples and industry

## No longer just a dreamtime



inhabitants of the Torres Strait Islands. Widely dispersed across Australia's vast land mass, they entered the native title debate with disparate views. For some, the act is a failure because it eliminates native title rights on large tranches of Australia which had been theirs.

Others have been more pragmatic, arguing that any chance to claw back some rights should be seized. "The land was ours and taken away from us," said Mr Peter Costello, a Cape York elder, during the negotiations in Canberra. "The European people are going to lead this country, and I won't be coming here again. But we never said that we were going to take everything... We just want some vacant crown land."

This may be a realistic assessment of what Aborigines can hope to achieve. Over the past 200 years, many have moved - or been moved - off their forebears' land, so the "close and continuing" land association requirement will not be readily met. More than a quarter of the Aboriginal population lives in Australia's eight state/territory capitals.

Using such residence patterns, Aboriginal leaders estimate only about 10 per cent of their people stand a realistic chance of benefiting directly from the native title legislation.

Land association is most likely to have been broken when freehold or leasehold title has been granted to white settlers, the best chances of a successful claim will be against unused land owned by the nation. Most of this lies in western Australia. Here a bruising battle between the state and federal governments is under way, casting a cloud of uncertainty over short-term prospects for claims.

While Mr Keating's Labor government was banking to get its land rights legislation passed in Canberra, the conservative Western Australian government enacted different native title legislation in Perth. That removed native title rights altogether, replacing them with much weaker "rights to traditional usage" of the land (for ceremonial purposes, for instance).

The Western Australia legislation is already under assault. Aboriginal groups have mounted a legal challenge, claiming that it breaches federal racial discrimination legislation.

Mr Keating has suggested that only those states and territories

**'On one view, this is a classic clash between God and mammon,' said one Perth-based judge of the Yawuru case**

that support the federal act will get federal help with compensation payments. Mr Richard Court, premier of Western Australia, said that amounted to "blackmail". He has some backing from other states and territories, which have yet to introduce their own legislation on the subject.

Even if the federal regime eventually prevails - as seems likely - short-term confusion is inevitable, further complicating procedures for processing Aboriginal claims. No sooner had Mr Tickner issued his order over Broome's proposed crocodile farm, for example, than the Western Australian authorities announced they would challenge it.

As for the 90 per cent of Aborigines who may gain little directly from the legislation, the Native Title Act promises a new land fund to assist Aboriginal land purchases and management "in a way that provides economic, environmental, social or cultural benefits". The fund will form part of a broader "social justice" package designed to address the disadvantages faced by the Aboriginal population.

For many Aborigines, this is every bit as important as the act itself. But they will have to wait for the details. Canberra has yet to set a budget for the fund and has said the package would not be finalised until 1995.

The second group affected by the legislation is the mining industry, which believes it has lost heavily under the new law. It complains that the costs of doing business in Australia will go up, forcing many companies to look abroad for new projects.

To some extent, however, the complaints of the mining industry are exaggerated. Existing leases are "validated" by the new act, and if a lease granted before 1994 contained a specific right to renew, that too is enforceable.

But future exploration, say the mining companies, is another matter. The Australian Mining Industry Council estimated that the new tribunal might delay the development of a project by up to two years, and said its members were already reassessing their exploration plans.

"Title problems are getting worse," said Mr Hugh Morgan, head of Western Mining and one of the industry's most outspoken critics. "The act's most outspoken exploration programmes are studying their navel." They [the implications of the act] are only slowly permeating down.

The AMIC points to a report by the Centre of International Economics on the impact of an Aboriginal land rights law that operated in the Northern Territory since 1976, and the degree to which it has restricted mining activity. The report estimates that the law has cost the Northern Territory about A\$2.38bn (£1.2bn) in income over the period.

Defenders of the federal act, however, point out that Northern Territory law differs significantly from the new legislation - giving Aborigines a right of mining exploration, for example. At the same time, they say, the CIS study used figures based on numbers of exploration licences. That gives a distorted picture, because exploration on Aboriginal land tends to be large scale. Four-fifths of the minerals produced in the Northern Territory come from Aboriginal land, according to the Council of Aboriginal Land Councils, which represents local Aboriginal landholders' claims.

The need to resolve native title claims will inevitably add something to a mining company's costs. How much, and in what form, to which it adds offshore alternatives - all attractive, will depend on a variety of factors - ranging from the efficiency of the Native Title Tribunal and the attitudes of individual Aboriginal groups to the factors listed as AMIC's challenge rate.

The mining industry admits that it will take time for the impact of the new law to be felt. "In fact, the exploration dollar will be the next couple of years will probably go up," said Mr Geoffrey Swain, AMIC's director. He pointed to the long-term nature of the mining business. But eventually, he warned, "it's just one of those things which will tip the balance for some companies".

Other land-based industries, ranging from farming to the large tourism sector, are the third group affected by the act. In general, thanks to deft lobbying by the National Farmers Federation, these are relatively well protected under the legislation because land titles will be validated.

Any businesses, however, and those looking to expand or relocate will in future have to bear in mind the possibility of an Aboriginal challenge - as the Douglas case demonstrates.

The fourth principal effect of the legislation is on Australian identity. Most sea-bugging, city-dwelling Australians learn about the problems of the Aboriginal population second-hand, but their reaction to the legislation nonetheless has been favourably. As Mr Keating said, no one's home would be seized, taxes had not risen, jobs were not affected. For little obvious cost, Australians had gained a sense of having rights old wrongs.

Whether this mood would persist if an economic price became apparent is more debatable. There have been suggestions that the costs of the native title legislation, plus the accompanying Aboriginal social justice package, could lead to a tax rise at a later date. But even if federal finances taxes do increase, Australia's long-term unemployment problem is more likely to be blamed than the Aborigines.

All along, realpolitik has been at the centre of the Australia native title debate. The country has tried to find a way of mending its original culture, with its spiritual values and its belief that land is integral to life, with a more commercial, western approach. While the solution may lack elegance, Australia is at least offering something to its indigenous peoples - albeit 200 years too late.

As one Perth-based judge, commenting on the Yawuru case, remarked: "On one view, this is a clash between God and mammon. The economic interests of a community are set against the spiritual and cultural life of a section of the community. Of course," he continued, "it is not simple. Both sets of interests are entirely legitimate."

## OBSERVER



be looking forward to the junket. But it was Leinster who, when the Overseas Development Administration, advised the government not to touch the dam with a barge pole.

## Major's Willies

Lord Whitelaw, grand old man of Tory politics, appears to be enjoying his return to the political limelight. Just two weeks ago, he lived Michael Howard into a humiliating retreat on his plans to shake up the police.

Now Observer learns that Willie, as Lady Thatcher always called

him, is determined to have a say in the cabinet reshuffle which will follow the inevitable Tory defeat in the local and European elections. He is preparing to tell John Major that however much the prime minister admires Lord Archer's campaigning skills, the over-the-hill novelist and former MP must not be given the party chairmanship.

With his own position so precarious, Major will ignore such advice at his peril. Downing Street insiders say that makes David Hunt a racing certainty for the Central Office but not - unless Michael Heseltine can be persuaded to change his mind.

## Oiling wheels

The secret's out. Enterprise Oil finance director John Walsley, who caused a bit of a stir in August by landing in his notice without another job, has resurfaced - back at his old firm.

Walsley, 47, is helping Enterprise Oil's Sir John Morton put together a group of City whizz kids to work on the great ideas starting from Morton's government-sponsored Finance Panel. Walsley has known Morton since his Arthur Andersen days and Enterprise Oil chairman Graham Hearn, Walsley's old boss, used to work with Morton at the Industrial Reorganisation Corporation. Helps explain why the PFF has taken rooms in Enterprise's

Trafalgar Square HQ. However, Walsley's willingness to take an unpaid job for the good of the nation is not totally altruistic. His new platform gives him super access to all the nooks and crannies of government, the City and big business. What better way to look for a permanent job?

## Touché Toubon

The French daily, *Libération*, yesterday gave Jacques Toubon, France's linguistically obsessed culture minister, a cheeky reply to his proposed bill to ban foreign, particularly English, words in French public life.

Its front-page headline, whose Englishness would certainly merit a fine under Toubon's bill, was: "Toubon: My French is rich", a come-to-subtle reworking of the traditional first English phrase that every French schoolchild learns: "My father is rich."

## Railing Jason

Villagers of Little Chart Forest in Kent - through which the Channel tunnel rail link is scheduled to run - have recruited actor David Jason, Pa Larkin in the TV version of H.E. Bates' uncolic novel, *The Darling Buds of May*, to their campaign. If he fails to stop the trains, then H.E. Bates' widow Madge, now in her 80s, will be pressed into service.

## Wanna traded option?

It had to happen sooner or later - gambling on gambling has arrived, thanks to the Chicago Board Options Exchange. From the end of the month the CBOE will trade options on an index of 15 US companies operating land-based and riverboat casinos.

The CBOE reckons the move will appeal to those interested in hedging exposure to the gaming industry. It sounds more like a sophisticated version of the old three-card trick routine.

But the decision is even more pungent, given that Chicago's authorities seem to take a pretty dim view of dice, fruit machines, roulette, raffles, bingo & all the only legal betting within city limits is state-sponsored lotteries and off-track betting on horses.

If Richard Daley, Chicago's mayor, had his way, the windy city would get a splendid land-based casino. No way, says Jim Edgar, Illinois governor, himself keen on protecting the state's growing riverboat gambling business. Why not join forces, and get the riverboats plying the city's waters?

## Pr-U turn?

Has Mick Newmarch, the Prudential's outspoken boss, lost his voice? The most vociferous

critic of the proposed Personal Investment Authority has been maintaining an uncharacteristically low profile since publication of the FIA's prospectus in January.

One theory is that, by leaving some daylight between his previous utterances and his post-prospectus comment, Newmarch may be rehearsing how to do a U-turn without attracting undue publicity. Alternatively, he may just be pausing for dramatic effect before refusing to sign up to the new regulator. All the same, the sooner Newmarch starts backing again the better. The insurance industry wants to hear from his leader.

## Pergau-Tory

Banana skins have an irresistible magnetism. Britain's education secretary John Patten intends visiting Malaysia in April, under the aegis of something called the Overseas Projects Board Education and Training Group of the DTL. The object? Selling educational equipment.

Malaysia is, of course, home to the Pergau dam, financed by £224m in aid from the UK and now being probed by the foreign affairs committee over possible links with a Elbu arms deal.

His trip means Patten will diplomatically avoid the National Union of Teachers' annual conference. But Sir Tim Lashister, now perm sec at education and also Malaysia-bound, can hardly





# FINANCIAL TIMES

Friday February 25 1994



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## Angry Beijing pledges to scrap elected councils in Hong Kong

By Tony Walker in Beijing and Louise Holberton in Hong Kong

China accused Britain of slamming the door on future negotiations in Hong Kong yesterday and vowed to scrap elected bodies in the days of British rule.

In a statement barely disguised as a threat, the Chinese government said Britain had "completely" closed the door to further talks on the colony's political development. But Beijing stopped short of issuing a formal ultimatum to Hong Kong's government.

The statement was responding to the Hong Kong Legislative Council (Legco) yesterday of a bill enshrining the plan for a second bill.

Mr Patten said a second bill would be published today and submitted to Legco on March 9. It contains proposals to broaden the franchise, which China claims are past Sino-British agreements and understanding.

An attempt to contain the row, Mr Patten said: "Let us try to find a line under this dispute, and co-operate together in the interests of the people of Hong Kong."

Mr Douglas Hurd, the British foreign secretary, said the UK looked forward to co-operation with the Chinese "in particular on the issue of the new airport and on Hong Kong's ninth container terminal."

Instead, however, China is likely to be using the preparations for assuming control of Hong Kong, Beijing's Preparatory Committee, an authority-in-waiting comprising senior Chinese officials and leading figures in Hong Kong, to do so today.

After Mr Patten spoke in Legco, the Hong Kong government took an unusual step of releasing the version of why the talks have floundered without agreement, charging the nature of the negotiations and setting

the compromises tendered by Britain in a bid to reach a deal. The British government printed, in English and 140,000 in Chinese, the 1984 Sino-British Joint Declaration. Government in Hong Kong, underlines the gulf between the two sides, although Mr Hurd said in his introductory comments: "Our door has been open all along for discussion with the Chinese government. It will remain so."

Accepting the Chinese stance as a stand at the end of eight months and 17 rounds of negotiations would have been to embrace an electoral system that restricted choice and left elections open to manipulation, increasing the possibility of corruption and vote rigging, Mr Hurd said.

The three sticking points in agreement between the two sides on the first stage agreement are China's insistence on reinstating appointed members to municipal councils and district councils, and China's refusal

to include the voting method for Legco within the initial agreement, and China's view that the Hong Kong government should not legislate unilaterally on any matter which had not been agreed in the talks.

"This time the choice was between sticking to our position or total surrender," said one British official.

Key to this were proposals to increase the role of the functional constituencies, which business and professional groups elect their own representatives. According to the British account, they had sought to abolish the original intention to open up the franchise in 2.7m votes to arrive at 100 voters.

China wanted to keep the existing 31 constituencies and add five more seats based on property voting and with small electorates in the worst instance, comprising just 100 voters.

Details and analysis, Page 4  
Editorial Comment, Page 15  
World stocks, Section II

## British government tries to repair damage caused by bribery allegations Malaysia to curb trade links with UK

By Robert Peston and Roland Rudd in London, and Kieran Cooke in Kuala Lumpur

The Malaysian government is planning this morning to say it will award any further contracts to British companies, because of its fury at British press reports alleging bribery have been offered to Malaysian politicians.

Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, is due to announce the sanctions - reminiscent of Malaysia's "Buy British Last" policy of the early 1980s - at a press conference this morning.

British companies, led by GEC, plan to issue a statement later in the week - in the form of national newspaper advertisement - stressing the importance of Anglo-Malaysian trade relations.

Yesterday they secretly

approached Mr John Major, the prime minister, urging him to telephone Mr Mahathir. It is understood Mr Major has agreed to a deal with the Malaysian high commission. The Foreign Office has been making final attempts to head off what is in effect a break in trade relations, which could cost British companies hundreds of millions of pounds in business.

Dr Mahathir Mohamad, the Malaysian prime minister, has been increasingly angry about UK reports of the alleged bribery used by the UK government and UK companies in winning Malaysian contracts. He was particularly incensed by a report in last weekend's Sunday Times alleging that a British company had bribed Malaysian politicians, an adviser said.

A minister with a close knowledge of Dr Mahathir said that he had also been bemused by criticism in the UK parliament

that a contract to build a \$1bn (\$1.46bn) of work to Malaysia was awarded to the UK government. The UK government gave \$24m of aid for the building of the hydro-electric dam in Perak.

Mr Robin Biggam, chairman of BICC, the cable and construction group involved in the Perak project, said last night: "This is a very regrettable and unfortunate decision for the UK. It has taken us years to build up our position in Malaysia."

Sir David Gillmore, the head of the diplomatic service, will arrive in Kuala Lumpur this morning to urge the Malaysian government to reconsider.

However, a Malaysian government adviser said last night: "It is highly unlikely that the Malaysian government will be dissuaded."

Malaysia is the biggest market for UK companies in the Asia Pacific region, apart from Hong

Kong. Exports to Malaysia, most of them based on contracts with the Malaysian government, were \$292m in the year to last November.

The Malaysian government is expected to say that it will honour existing contracts with British companies. However, a banker who finances Malaysian trade said a stream of other contracts, worth an estimated \$20m, would now be lost.

Yesterday morning British high commission in Malaysia, Mr Duncan Slater, said that British companies would have no work on a new Kuala Lumpur international airport for Kuala Lumpur.

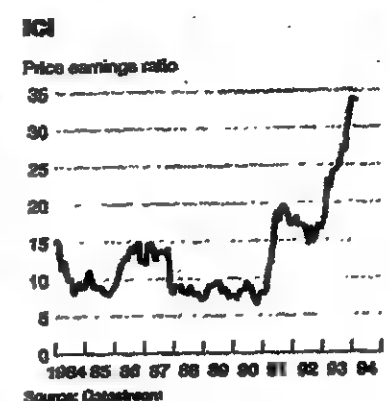
An Anglo-Japanese consortium including Trafalgar House, BICC and GEC had signed a memorandum of understanding and project management of the airport.

Billions ride on Malaysian mood, Page 8

### THE LEX COLUMN

## Back to the future

FT-100 Index: 3267.5 (-74.4)



It would be hard to say if these people are needed now, they have not been needed since the 1980s when privatisation was the monopoly of one man, Sir James McKinnon.

Nor has the British government relief from regulatory pressure. In the medium term the RPI-X price cap and continued loss of market share will be hard to sustain, even with the current gearing is still rising, despite a 27 per cent fall in capital expenditure on exploration and production. The sale of Consumers Gas in Canada will broadly cover the restructuring costs, but how only a fraction of the more than \$1.5bn of debt will be covered. A 5.4 per cent yield on the shares will not do it. Even so, it is hard to see how real dividend payments can be sustained if the share price falls to a twice-covered payout.

**British Gas**

It is funny how British Gas, having spent 18 months claiming that it was being crushed by regulatory pressure, suddenly finds that 20 per cent of its staff and \$900m of costs are surplus to requirements. The company argues that it has long had plans to retrench, but without a clear regulatory framework it was unable to act.

Yet the gas business has not had the kind of technological change which has, for example, transformed BT's manning needs. Nor can the restructuring cost have been an excuse for avoiding the issue, since the operation has an enviable 10 per cent rate of return. The suspicion

gearing of only 12 per cent, that British Gas repaid its debts, ICI can consider some sizeable investments. The company argues that gearing of 20 per cent would be comfortable. That implies at least \$300m to spend - over and above normal capital expenditure - on investment opportunities arise.

Given the thrust of strategy is now towards tighter focus, smaller acquisitions in the chemical sector of companies look more likely than one big deal. Chemical strength is an especially strong area where potential weaknesses have problems. So it is only natural that ICI should show a passing interest in the pharmaceuticals of Metallgesellschaft. With the European chemicals industry still in recession, similar opportunities will be available elsewhere. Having taken the knife to chemicals, though, the question is whether ICI can spend wisely.

**Shell**

Royal Dutch/Shell's annual figures confirm its happy knack for smoothing out the volatility in the oil industry. With its international intent, the group is also busy exploiting opportunities in the future growth. Shell's heritage has left it with a strong presence in promising far east markets. Last year some 36 per cent of its capital expenditure and exploration spending was targeted at the eastern hemisphere, promising to give it a long-term competitive edge. Shell's major restructuring charge should be a boon to its cash flow and tackle the blighted European chemicals business regardless of any upturn. High hopes are held out for new products such as Cardanol.

Like judo wrestlers, Shell's stock market strategies can use their very strengths against it. Shell has been highly rated for increasing its dividend throughout recession. But that has left it with an uncomfortably high payout ratio in the absence of strong earnings gains. The 2 per cent rise in the Royal Dutch dividend may be more indicative of the payout trend than the currency-inflated 10 per cent rise at Shell Transport and Trading. Shell's dividend may be in comparison with other oil firms, which have not their dividend floor.

Shell's low financial gearing will also make its earnings rebound stronger than those of more indebted rivals. Low debt-to-equity ratios, boasting a higher degree of recovery in European and US demand, would also mean the short-term applause.

### Yeltsin speech

Continued from Page 1

In a common political culture, it stressed that the reform process was incomplete in every area - the economy, democracy, the law - and that only co-operation between the various levels of government could avoid falling into further crisis.

A government meeting was to discuss the budget and future economic policy today but was postponed until Thursday. The Interfax news agency said that Mr Victor Chervomyrdin, the prime minister, had postponed it "in order to thoroughly study the president's speech and draw appropriate conclusions".

### Bell-TCI merger is off

Continued from Page 1

Between the chairmen of Bell Atlantic and TCI, Mr Ray Bell and Mr John Malone, had occurred in had any impact on the collapse of the deal. "This was not a case of John Malone trying to raise the price, or Ray Bell refusing to budge."

It also said the terms of the deal had been altered in a way that would have caused a drop in Bell Atlantic's price of 10 to 15 per cent. Neither had there been any problems in discussions with the Justice Department with the anti-trust implications of the planned merger, the companies said.

However, the FCC's decision

that cable TV rates be lowered by 7 per cent and that the reduction be applied to all types of cable TV systems, including TCI's advanced services, apparently surprised the parties by surprise and ended the deal.

Analysts expressed scepticism that Bell Atlantic was caught by surprise by the FCC's actions, which had been widely anticipated. However, Mr Cullen rejected as "judicious and absurd" the notion that the FCC might have been temporarily misled or put pressure on the FCC to change its recommendations for rate decreases.

### US exports

Continued from Page 1

found to be ineffective or to put US companies at severe competitive disadvantage. The number of products for which licences are needed will be vastly reduced and the licensing process will be simplified.

Under the current regime, the Commerce Department yesterday controls on numerous items, including relaxing the definition of supercomputers.

Countries on the Nuclear Non-Proliferation Special Country List - Algeria, India, Iran, Iraq, Kuwait and Mexico - will be allowed to buy more sophisticated digital computers.

#### Europe today

Scotland, the Orkney and Shetland Islands will be sunny and mainly dry. Persistent fog. Mild air from the west will bring rain in Ireland and England. Spain will have light rain. France will be cloudy with light rain or snow in mountain areas. Czechs will have a few showers. A widespread shower is expected in Portugal, though some sunny periods. Spain and Italy will have sunny periods. The Alps will have light rain in the valleys and snow above 1,600m.

#### Five-day forecast

France and England will be mild and cloudy with periods of rain. The weather in northern Europe will be a strong easterly wind bringing rain. Further north will stay very cold. France, Spain and Portugal will be unsettled with cloud and showers in Italy and Greece will decrease.

#### FT WEATHER-GUIDE

Warm front, Cold front, Wind speed in KPH

#### TODAY'S TEMPERATURES

City	Temp	City	Temp	City	Temp	City	Temp
Abu Dhabi	26	Colaba	26	Frankfurt	17	Paris	17
Accra	26	Delhi	26	Geneva	17	Rome	17
Algiers	26	London	17	Madrid	17	S. Francisco	17
Amsterdam	17	Manila	26	Moscow	17	Seoul	17
B. Aires	17	Osaka	17	Stockholm	17	Singapore	26
Bangkok	26	Shanghai	17	Taipei	17	Tokyo	17
Bombay	26	Singapore	26	Tel Aviv	17	Toronto	17
Buenos Aires	17	Taipei	17	Ulaanbaatar	17	Washington	17
Cairo	26	Tel Aviv	17	Yokohama	17	Winnipeg	17
Chennai	26	Toronto	17	Zurich	17		
Copenhagen	17	Ulaanbaatar	17				
Dubai	26	Yokohama	17				
Hong Kong	26	Zurich	17				
Kuala Lumpur	26						
Lima	17						
Lisbon	17						
Luxembourg	17						
Lyons	17						
Madrid	17						
Manila	26						
Moscow	17						
Osaka	17						
Paris	17						
Seoul	17						
Singapore	26						
Taipei	17						
Tel Aviv	17						
Tokyo	17						
Toronto	17						
Ulaanbaatar	17						
Yokohama	17						
Zurich	17						

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## Granada set to win bid battle for LWT

Although its overall performance has shown a slight pick-up, Sony is predicting that consolidated net income in the year to March 31, 1991 will be 10 per cent to 12 per cent (\$190m).

Apart from Mercury, Grabbe's final offer has gained the backing of a further 8 million LWT's shares. It raised the bid with about 17.5 per cent, and received acceptances for the first offer from around 3.5 million shares.

Moreover, the "German system" of close relations between industry and banks had proved itself. "Without the stability and strength of the shareholder banks and major shareholders, Metallgesellschaft would be undergoing insolvency proceedings and criticism of the banks would then be much louder," Mr. Schmitz claimed.

It was possible to learn something from Anglo-American trust practice in the future, the Deutsche Bank would be introducing a form of "audit committee" for the companies in which it has a major stake, he said. However, an audit committee would have prevented the Metallgesellschaft case, Mr. Schmitz insisted.

CS Holding bought all the  
Leu it did not already

Sales at the aluminium mill were up 7.7 per cent to SFr2.7bn, and its operating profit plunged 39.5 per cent to SFr1.1bn.

It is understood that Mercury found the decision particularly difficult, but was swayed by the need for further consolidation among ITV companies.

provision was reduced by 10 per cent, from DM596m to DM537m, reflecting not only a provision for the bank's lending operations, but also its investment in the risks

AGF Seguros, the PwC group's Spanish offshoot, will be asked to approve a merger through the exchange of one AGF Seguros share for every El Trece share.

Argentaria, the partially-privatised Spanish banking corporation, has become the latest contender to oust Banesto, the ailing banking group to be sold among the domestic financial community late next month.

taria yesterday hired the US bank Goldman Sachs to evaluate a rescue plan, drawn up by Banesto and by the Bank of Spain, which aims to recapitalise Banesto and absorb its estimated Pt605bn (\$43bn) overvalued assets.

Banco Santander announced three weeks ago it was studying the wisdom of bidding for

Under the terms of the rescue plan, subject to the approval of Banesto's shareholders, a strategic financial buyer will acquire a minority of 35 per cent of Banesto's reconstituted share capital.

for AGF. ~~which~~ has been seeking to expand its presence in the Spanish market. ~~It also~~ removes an element of uncertainty ~~about~~ of the group's

### Correction

#### Ahold

The FT on Tuesday incorrectly reported that Ahold, the Dutch food retailer, will have a turnover in the US of £17.25bn following a planned acquisition. The figure should be \$7.25bn.

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## Union Minière to sell US zinc operations for \$200m

By Kenneth Gooding,  
Mining Correspondent

Savage Resources, which eight months ago was a little-known Australian exploration company selling at 30 cents a share, is to double in size by acquiring the US zinc operations of Union Minière, the Belgian metals group, for US\$200m.

The Australian group is buying Union Zinc, which has five low-cost zinc mines and a 100,000 tonnes a year smelter employing 650 in Tennessee. The self-contained business accounts for 25 per cent of US zinc output.

This is the second disposal in a week by UM as part of its

1993 long-term plan to dispose of non-strategic assets to fund investments in its core business. Last week it sold its 56 per cent stake in Asturienne, the Belgian mining group.

UM had been planning to float Union Zinc on the American market but preferred the Savage offer because "it could be concluded immediately for a similar return".

Savage came to prominence because of its successful litigation against Western Mining of Australia over the Ernest Henry copper-gold deposit in Queensland. It then sold 51 per cent of Ernest Henry to MIM, another Australian resources group, for A\$100m (US\$67m). Savage shares were

suspended before the deal at A\$1.55. It will fund the zinc purchase by a

renewable rights issue to existing shareholders at A\$1.55 a share and a placement of 60m shares at A\$1.20. The placing will be made to institutional clients of Prudential Bache Securities (Australia) and Ord Minnet Securities. Both issues are fully underwritten.

UM and Savage will enter into a commercial relationship centred by UM receiving options to acquire 15m Savage shares (less than 5 per cent of the increased capital). UM is a major cobalt producer. It will help Savage market zinc and germanium from the

## Sealink behind surge at Stena Line

By Christopher Brown-Humes  
in Stockholm

Stena Line, the world's largest ferry operator, yesterday unveiled a SKr275m (\$37.1m) profit after financial items for 1993, up 66 per cent from the year earlier level.

It also announced plans to raise up to SKr900m through share and convertible issues to fund orders for two high-speed ferries. The vessels may be deployed in UK waters, including the Dover-Calais route where they would compete with the Channel Tunnel.

The group attributed its improved result to a strong performance from its UK operation, Stena Sealink, and

lower financial costs. Some of the largest and best known funds are managed by investment gurus such as Mr. Soros, Mr. M. J. Steinhilber and Mr. Julian Robertson, and in recent years have built up an impressive record of above-average returns for investors.

Mr. Soros's Quantum Fund was said by one industry source to have lost up to 14 per cent of its value on February 14 as a result of the yen/dollar

## Hedge funds lick forex wounds

Patrick Harverson and Sara Webb on a sudden change in fortune

US hedge and futures funds have made losses of up to 25 per cent so far this month following the recent turbulence in the world's financial markets.

Tass Management, which tracks over 600 funds, mainly in the US, said the losses were primarily due to the unexpected moves in the yen/dollar exchange rate in the middle of the month and the fall in European government bond markets.

Hedge funds are private investment pools which borrow huge sums of money to trade securities and currencies in financial markets. They are often managed very aggressively and can be highly geared. In the UK government bond market, the larger hedge funds typically trade as much as 10,000 futures contracts, equivalent to \$500m nominal.

Some of the largest and best known funds are managed by investment gurus such as Mr. Soros, Mr. M. J. Steinhilber and Mr. Julian Robertson, and in recent years have built up an impressive record of above-average returns for investors.

Mr. Soros's Quantum Fund was said by one industry source to have lost up to 14 per cent of its value on February 14 as a result of the yen/dollar

exchange rate move. Mr. Stanley Druckenmiller, the fund manager, was quoted earlier this week saying the fund management group lost about \$60m that day.

In the last week, European government bonds have seen sharp falls, driven by activity in the futures markets, with traders reporting a tidal wave of selling by US hedge funds.

Rumours circulated that some hedge funds had stopped trading temporarily as they exceeded permitted losses. One hedge fund manager said he had received a bank telex warning that up to 15 hedge funds had stopped operating, but added that these were small funds rather than household names.

"They're like mushrooms, they're always springing up all over the place, so it wouldn't be surprising if some of them did stop trading," said a gilt trader at a US house.

The problems of the past few weeks contrast markedly with last year when the average gross return for US hedge funds was 17.7 per cent, according to Miss Lee Hennessey of the Fund Select, which is part of Republic New York Securities and tracks over 800 funds.

The biggest "macro" funds, those designed to profit from



George Soros, whose group lost \$60m in one day

changes in global economics, particularly changes based on major interest rate moves, fared even better, showing a gross return of 53 per cent last year.

This year, however, the big hedge funds have been caught out by the rise in the Japanese yen against the dollar and the drop in European bond prices.

Many of the big funds had built up sizeable long positions in Europe, especially in high-yielding bonds from countries such as Sweden, Spain, and Italy, as well as in the UK government bond market.

At the same time, some

funds, notably Quantum, had shorted the yen against the dollar in anticipation of a gradual strengthening in the US currency against a yen undermined by the weak Japanese economy.

The hedge funds' reversal of fortune could well force them to adopt a more cautious strategy in the markets in future, with traders expecting the funds to invest smaller amounts, at least until some of the losses have been regained, and to refocus on risk control.

"Hedge funds should be hedged to reduce the downside risk; the problem is that a lot of them aren't," says one hedge fund manager who claims to have reduced his losses to 1 per cent in February by hedging.

"Now investors are saying they don't want to be highly geared, and they are happy with an upside of between 15 and 20 per cent instead."

"Investors in hedge funds will have to start learning that these returns of 70 per cent and 100 per cent are gone for the foreseeable future," said one hedge fund manager.

"The massive macro opportunities are now there anywhere. The hedge fund industry has become a crowded field and a lot of people are chasing the same ideas."

## Net interest boosts Atlas Copco

By Hugh Carnegie  
in Stockholm

Atlas Copco, the Swedish industrial components group, has reported a 30 per cent rise in profits after financial items to SKr1.32bn (\$166m) for 1993.

But the improvement was due in large part to net interest income, with operating profits after depreciation added only 5 per cent at SKr1.18bn. The weaker underlying earnings left Atlas B shares SKr13 lower at SKr452.

Group sales were up 15 per cent at SKr18.9bn but with 36 per cent of sales outside Sweden, said the rise was mainly due to the weakness of the Swedish krona, which fell

by more than 20 per cent in value over the year.

It said demand was weak in Europe, which accounts for more than 50 per cent of sales, and was expected to remain so in central and southern Europe this year. But the trend outside Europe was positive, orders overall were up 21 per cent and Atlas said it expected profits in 1994 to be ahead of 1993.

The dividend was set at SKr9.00 per share, up SKr1.00 from the SKr8.00 paid for 1992. Atlas said it proposed a five-for-one share split, changing the par value from SKr25.00 to SKr5.00.

A swing to net interest income of SKr88m in 1993 from a loss of SKr18m in 1992 was

attributed to favourable interest rate differentials on currency hedging, lower borrowings and lower interest rates.

Securum, the state-owned insurance company, took on the bad assets of Nordbanken, has reported a pre-tax loss of SKr16.2bn for 1993, its first year in existence.

The result illustrates the extent of the problems piled up by state-owned Nordbanken before the government removed loans and commitments worth SKr67bn - mostly in Swedish and European property - into Securum.

Securum said its 1993 loss included SKr14.2bn and net financial expenses of SKr18bn.

## Iscor 74% ahead at half time

By Matthew Curran  
in Johannesburg

Iscor, South Africa's iron, steel and coal producer, yesterday reported a 74 per cent rise in pre-tax profit for the half-year ended December.

Pre-tax profit surged to R223m (\$63m) from R128m. Higher sales, up to R4.77bn from R4.29bn, good cost con-

tainment which pushed operating margins to 7.7 per cent from 6.1 per cent, and a decline in finance charges to R157m from R178m were responsible for the improvement.

Distributable profit rose to R218m from R128m, equivalent to earnings of 11.5 cents against 6.7 cents a share. The company is paying its dividend in shares, compared with

cents cash interim dividend last year.

Mr. Hans Smith, managing director, said the group's main achievement was to show positive cash-flow for the first time in four years. Net borrowings were reduced to R1.98bn at December 31 from R2.08bn six months earlier. Iscor planned to cut debt by nearly 50 per cent by year-end.

The group expects a further improvement in profits this year due to another good performance in the UK and the benefits of cost-cutting.

acknowledges the Channel Tunnel will have an impact on performance but is less worried about the prospect of a price war since Eurotunnel published its fares structure last month.

Turnover rose 13 per cent to SKr9.0bn, due to currency factors and volume growth. Passenger numbers were 3 per cent higher at 14.3m while freight units rose 7 per cent to 840,000.

A SKr1 per share dividend is proposed, the company's first pay-out since 1990.

The company hopes to place orders for two 40-knot catamarans, which can carry 1,500 passengers each, before June.

## Milan SE expects sharp growth

By Heig Simonovic in Milan

The Milan stock exchange expects sharp growth in the next four years, with an additional 100 company listings and a 50 per cent surge in market value, according to Mr. Attilio Ventura, chairman of the stock exchange council.

The forecast comes during a buoyant period for the market, which has seen daily turnover of 1.1 billion (\$65m), a level virtually unknown a few months ago.

The upbeat prediction follows legislative changes, modernising and simplifying trading, and the international fall in interest rates, which has

redirected Italian investors from bonds.

The market's confidence has been boosted by privatisation, which has created a pool of 200,000 investors bought into Credito Italiano, while more than 70,000 applications were received for stock in the IMI financial services group.

"The success of privatisation could tempt more companies to go public," said Mr. Luigi Abete, chairman of the Confindustria employers' federation.

Confindustria and the Milan stock market have set up a committee to persuade more companies to go public.

However, Mr. Abete warned

Italy's tax rules and the high cost of flotation remained powerful obstacles. Moreover, "the market will only accept companies which show they have a clear development programme," said Mr. Ventura.

Factors such as deep-seated reluctance of many entrepreneurs to go public largely explain why only 220 companies are quoted in Milan, a fraction of the number in many other big European markets.

"In terms of capitalisation, we rank either ninth or 10th in the world, whereas the Italian economy is the world's fifth or sixth biggest," said Mr. Ventura. "Clearly, the bourse has to make up ground."

## Nissan sees break-even in Europe next year

Nissan's European operations should recover and break even in 1995, Reuters reports from Tokyo.

"We saw red figures in 1993, and 1994 will be extremely difficult," said Mr. Tadashi Shirai, president, but in 1995 European operations should be out of the red, he added.

Mr. Shirai also said European demand had likely hit bottom in 1994, around 12.5m vehicles. "In 1994, we do not see a significant increase, maybe 1 or 2 per cent." But from 1995 demand should increase by about 5 per cent next year over this year's marginal gain.

### SCUDDER GLOBAL OPPORTUNITIES FUNDS, SICAV

47, Boulevard Royal  
Luxembourg

#### NOTICE TO THE SHAREHOLDERS

Notice is hereby given to the holders of Class A-1 and Class A-2 shares (previously Class A and Class B shares) that the board of directors has determined to increase the service fee imposed on Class A-1 and Class A-2 shares from 0.5% to 0.75% of the average daily net assets of each such class. This increase will permit the Funds to compensate a wider range of dealers in shares of the Funds for ongoing services provided to shareholders.

The board of directors has also decided to allow the Funds to impose an exchange charge payable to the distributor and/or any share distributor not to exceed 0.5% of the net asset value of the shares being submitted for exchange in order to discourage the potential adverse impact on the Funds and their shareholders of abuses in the Funds' exchange privilege.

The increase and exchange charge shall become effective as of March 25, 1994, one month after the publication of this notice.

Updated prospectuses reflecting these changes are available at the registered office of the Company.

Luxembourg, February 25, 1994

By order of the Board of Directors.

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**European Investment Bank**

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Reverse Floating Rate

Notes due 1996

Notice is hereby given that the notes will bear interest of 7.125% per annum from 23 February 1994 to 23 August 1994. Interest payable on 23 August 1994 will amount to £181.31 per £5,000 note and £3,626.20 per £100,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan**

**Interfinance Credit National N.V.**

US\$100,000,000

Guaranteed floating rate

undated unsecured subordinated non-cumulative capital

in accordance with the terms and conditions of the notes the rate of interest for the interest period 23 February 1994 to 23 August 1994 has been fixed at 6.5812558125% per annum. Interest payable on 23 August 1994 will amount to \$181.31 per \$5,000 note and \$3,626.20 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan**

**US\$900,000,000**

**Floating Rate Subordinated Loan Participation Certificates due 2000**

Issued by Salomon Brothers Aktiengesellschaft for the purpose of financing a subordinated loan to

**The Mitsubishi Bank, Limited**

Notice is hereby given that for the three months interest period from 24th February 1994 to 31st May 1994 the Certificates will carry a Coupon Rate of 4% per annum.

Coupon payable on 31st May 1994 will amount to: US\$ 1,022.22 per US\$100,000.00 Certificate and US\$10,222.22 per US\$1,000,000.00 Certificate, respectively.

**Mitsubishi Bank (Europe) S.A.**

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**CITY INDEX**

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**FIDELITY AMERICAN ASSETS N.V.**

Registered Office:  
Schottegatweg-Oost 130  
Curacao, Netherlands Antilles

**NOTICE OF ANNUAL GENERAL ASSEMBLY OF SHAREHOLDERS**

Take notice that the Annual General Assembly of Shareholders of Fidelity American Assets N.V. (the "Corporation") will take place at 2:00 p.m. at Schottegatweg-Oost 130, Curacao, Netherlands Antilles, on March 15, 1994.

The following matters are on the agenda for this Assembly:

- Report of the Management.
- Election of the Managing Directors.
- The Chairman of the Management proposes the re-election of all present Managing Directors: Edward C. Johnson 3d, Barry R. J. Bateman, Charles T. M. Collis, III, Charles A. Fraser, Jean Hamilton, H.F. van den Hoven and AMACO Holdings & Trust Company N.V.
- Approval of the balance sheet and profit and loss statement for the fiscal year ended November 30, 1993.
- Ratification of actions taken by the Managing Directors since the last Annual General Assembly of Shareholders, including declaration of an interim dividend in respect of the fiscal year ended November 30, 1993, and authorisation of the Managing Directors to declare additional dividends in respect of fiscal 1993 if necessary to enable the Fund to qualify as a "distributor" under the United Kingdom tax law.
- Ratification of actions taken by the Investment Manager since the last Annual General Assembly of Shareholders.
- Consideration of such other business as may properly come before the Assembly.

Approval of each item of the Agenda will require the affirmative vote of a majority of the votes cast at the Assembly.

Holders of registered shares may vote by proxy by mailing a form of registered shareholder proxy which will be sent to them by the Fund's Registrar and Transfer Agent, Fidelity Investments Luxembourg S.A. Registered shareholders may also execute a form of registered proxy from the institutions listed below.

Holders of bearer shares may vote by proxy by mailing a form of proxy and certificate of deposit for their shares to the Corporation at the following address:

Fidelity American Assets N.V.  
AMACO Holdings & Trust Company N.V.  
Post Office Box 3141  
Curacao  
NETHERLANDS ANTILLES

Bearer shareholders may obtain a form of proxy and certificate of deposit from the following institutions:

Fidelity Investments Luxembourg S.A.  
Kansallis House, 3rd Floor  
Place de L'Etoile  
Boite Postale 2174  
L-1021 LUXEMBOURG

Fidelity International Limited  
P.O. Box HM 879  
Hamilton HM CX  
BERMUDA

Fidelity International  
Oakhill House  
130 Tonbridge Road  
Hildenborough  
Kent TN11 9DZ,  
ENGLAND

Alternatively, holders of bearer shares wishing to exercise their rights personally at the Meeting may deposit their shares, or a certificate of deposit therefor, with the Corporation at Schottegatweg-Oost 130, Curacao, Netherlands Antilles, against receipt therefor. receipt will entitle said shareholder to exercise such rights.

All proxies (and certificates of deposit issued to bearer shareholders) must be received by the Corporation not later than 1:00 p.m. on March 15, 1994, in order to be valid at the Assembly.

February 17, 1994

By order of the Management  
Charles T.M. Collis  
Secretary

**Fidelity Investments**



## INTERNATIONAL COMPANIES AND FINANCE

## Strong last term gives AIG record year with \$1.94bn

By Patrick Harverson  
in New York

American International Group, the US property/casualty insurer, yesterday unveiled an 11 per cent increase in fourth-quarter profits to \$510.2m, or \$1.81 a share.

The strong final quarter full-year earnings in a record \$1.94bn, or \$6.11 in 1993, the group's highest since 1989, the group said.

The figures include net real capital gains and the impact of accounting changes, which were reported as \$11.5m for the quarter and \$89m for the year.

AIG said gross revenues rose 10.2 per cent in the quarter to \$5.36bn, and full-year to \$20.13bn.

Mr Maurice Greenberg, chairman, said the strong quarterly and annual results reflected the increase in operating income reported by all of AIG's three main businesses - general insurance, life insurance and financial services.

The singled out the performance of the group's Asian operations, particularly its

life and non-life insurance operations in China, which he said had an "outstanding" debut.

The annual results were boosted by significantly lower catastrophe losses last year than in 1992 when the insurance industry paid out \$2.5bn following Hurricane Andrew and other big disasters. Catastrophe losses for the group fell from \$1.1bn in 1992 to \$191.7m the year before.

On the positive side, the 1993 dividend was that it led to a strengthening in the reinsurer's market in the form of higher premiums and new capital. Also, AIG said insurance rates had risen in several overseas markets.

Catastrophe premiums written by the group increased almost 10 per cent to more than \$10bn last year, which helped lift operating income from the general insurance business 30 per cent to \$1.35bn. In the quarter, income rose 10 per cent to \$385m.

AIG's financial services group prospered, with operating income rising 11 per cent to \$510.2m.

## Harcourt results disappoint investors

By Frank McGurty in New York

Harcourt General, the US publishing, retailing and insurance group, yesterday posted a 23 per cent increase in operating earnings in its first quarter, thanks to improved performance by all its main businesses.

However, net earnings of \$18.5m, or 60 cents a share, fell well short of Wall Street's expectations of about 30 cents a share.

On the announcement, the stock fell 1.5 per cent to \$50.75.

The 1993 results compared with net earnings of \$17.5m, or 58 cents, in the three months to January 31 1993.

When earnings from Harcourt's insurance subsidiaries are excluded from the year-to-date figures, profits were \$28.8m, or 34 cents, including a non-recurring gain of \$1.5m related to a legal settlement.

Continuing operations contributed 3.1 per cent to the group's earnings, which included a 65 per cent hike in the Harcourt's department store group, which hit the shelves - Harcourt's largest - at \$507m, down from \$500m a year earlier.

By contrast, Harcourt's life insurance arm fell to \$1.1bn, down from \$1.2bn a year earlier.

## Imperial Life posts 56% rise

Imperial Life Assurance Co of Canada, controlled by the Desjardins financial services group, improved 1993

profits to \$1.58bn, or \$1.49bn. Fully-diluted earnings per share rose 56 per cent to \$1.49.

For the full year, net income rose by 21 per cent to \$940m from \$777m, on turnover up from \$18.01bn to \$18.98bn. Earnings per share were \$3.53, up from \$2.95 last year.

Mr William Howell, chairman, said the group's collection of national brands maximised its ability to offer value to customers. Sales so far in 1994 indicated a healthy year, he said.

Imperial Life's Canadian sales in 1993 were \$1.58bn, or \$1.49bn. Fully-diluted earnings per share rose 56 per cent to \$1.49.

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## Failed deal shows gaps in US telecoms

Louise Kehoe examines the collapse of talks between Bell Atlantic and TCI

When the proposed merger between Bell Atlantic and Tele-Communications Inc (TCI) failed, it revealed a stark contrast between the two companies in the US telecommunications sector.

Bell Atlantic, the regional telephone company serving the middle part of America's eastern seaboard, and TCI, the largest US cable television company, have been at odds over regulatory changes and the restructuring of the industry.

But on Wednesday night, the companies announced they were abandoning their merger, worth more than \$200m.

As Mr Raymond Smith, chairman and chief executive of Bell Atlantic, put it: "The unsettled regulatory climate made it too difficult for the parties to value the merger today."

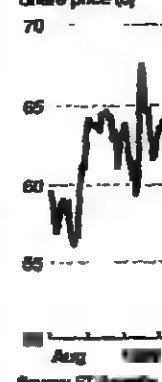
Earlier in the week, the Federal Communications Commission (FCC) announced regulations to force cable television operators to lower their prices.

It was prompted by 1992 legislation addressing concerns that the cable industry was abusing local monopolies by raising prices excessively.

The planned Bell Atlantic-TCI merger was built on the

## Bell Atlantic

Share price (\$)



Source: FT Graphix

ise that, in the not-too-distant

future, such monopolies and local regional telephone companies, will disappear.

The FCC's move to lower cable TV prices appears to have been the last straw in the protracted negotiations between Bell Atlantic and TCI.

The companies had twice extended the deadline for the completion of their merger talks, which began in October. Mr Smith said they had finally resolved their differences and were close to reaching a definitive agreement, but the FCC's actions "made reaching a final agreement

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The companies had twice extended the deadline for the completion of their merger talks, which began in October. Mr Smith said they had finally resolved their differences and were close to reaching a definitive agreement, but the FCC's actions "made reaching a final agreement

impossible". TCI launched a vigorous campaign to block the FCC's action as "unwarranted, excessively heavy-handed and harmful both to the national telecommunications objectives promoted by the Clinton administration and, ultimately, to the interests of consumers".

The cable TV company said it will join others in legal challenges to the FCC's action, and also announced it will suspend \$50m, or half of its planned capital spending for 1994, pending further clarification of the FCC's regulations.

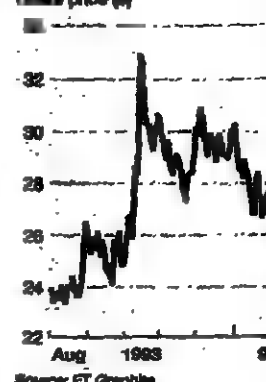
Bell Atlantic said the FCC action, requiring US cable TV companies to lower prices for basic services by 7 per cent, must have raised questions about the valuation placed on TCI in the talks.

Mr James Cullen, president of Bell Atlantic, said: "The FCC announcement reduced the price to the point where TCI did not feel it could recommend the transaction to its shareholders."

However, Mr Reed Hundt, FCC chairman, rejected suggestions that the agency's action had undermined the deal. He said the price "did not in any way make the future of the cable industry more unsettled".

## Tele-Communications

Share price (\$)



Source: FT Graphix

Another factor in the deal's

collapse may have been the price in Bell Atlantic's offer, which fell from \$61 in July 1993 to \$50 in January 1994.

The deal was announced on Wednesday, before the companies announced the abortion of the merger.

Whatever the reasons, the failure of the Bell Atlantic-TCI deal adds to the uncertainty surrounding the "convergence" of the telecommunications, television, computer and entertainment industries to create nationwide "information superhighways".

## The Bell Atlantic-TCI

merger, creating what Mr

Smith had boasted would be "a model for communications companies in the next century", had become the symbol of a new era of unregulated communications. Such an environment would allow technology companies to create multimedia communications services, ranging from desktop videoconferencing to interactive television.

The Clinton administration has made the creation of such advanced communication services an important part of its economic policy, with Vice-President Al Gore regularly promoting the social and economic benefits of the "information superhighway". Only a few weeks ago, the Vice-President assured industry leaders that "this administration will not let existing regulatory structures impede or distort the evolution of the communications industry".

The collapse of the Bell Atlantic-TCI deal is therefore likely to reverberate in Washington, putting increased pressure on the administration to come up with an interim legislative package to revamp communications regulation.

Return on equity was 13.5 per cent, against a negative 0.7 per cent. Total assets grew from \$380.1bn to \$392.4bn. Loan-loss reserves dipped to \$1.1bn from \$1.5bn.

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## Catalogue sales push Penney ahead

By Richard Tomkins  
in New York

A major catalogue sales battle helped J.C. Penney, the US department store group, report a 17 per cent increase in net income to \$437m from \$378m for the fourth quarter in January.

J.C. Penney, the largest catalogue retailer in the US, saw a 21 per cent increase in catalogue sales for the quarter, largely because the rival Sears group pulled out of the business last year.

The profits rise in this quarter helped counter a decline in gross margins at the department stores, which the group said was an intensely competitive retail environment

during the Christmas season.

Turnover for the quarter rose to \$2.1bn from \$1.9bn while cost cutting reduced selling, general and administrative expenses from \$1.58bn to \$1.49bn. Fully-diluted earnings per share rose 56 per cent to \$1.49.

For the full year, net income rose by 21 per cent to \$940m from \$777m, on turnover up from \$18.01bn to \$18.98bn. Earnings per share were \$3.53, up from \$2.95 last year.

Mr William Howell, chairman, said the group's collection of national brands maximised its ability to offer value to customers. Sales so far in 1994 indicated a healthy year, he said.

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## US court ruling threatens PC sales

By Louise Kehoe  
in San Francisco

The US personal computer industry was yesterday bracing itself for potentially serious disruption of its sales, following a court verdict in Microsoft's widely-used personal computer operating system.

The decision, handed down by a federal judge in California, says that Microsoft's software company

has violated the patent rights of a Los Angeles lawyer found on Wednesday that Microsoft has incorporated data compression features in the latest versions of its MS-DOS operating system that infringe Stac's patents, and ordered Microsoft to pay \$120m in compensatory damages. Microsoft is to take a charge in the current quarter, reducing earnings by 26 cents per share.

The court was yesterday considering whether to grant an injunction ordering Microsoft to halt sales of MS-DOS 6.0 and 6.2, the current versions of the operating system that are pre-loaded on most PCs. If granted, the injunction could temporarily halt shipments of personal computers in the US.

Microsoft said it would issue new versions that do not include the data compression features later this week.

"We do not anticipate any material disruption of the supply of MS-DOS products," said Bill Neukom, Microsoft senior vice-president of law and corporate affairs, "but we are not saying that this will not cause disruption in the PC industry."

Microsoft officials acknowledged they were assuming that personal computers already shipped to retailers would not be affected. However, Mr Gary

Clow, president and chief executive of Stac Electronics, said he was disappointed the award was on the basis of shipments up to the end of January.

If the law is correct, PC retailers could be forced to return PCs to manufacturers to replace the software. If Microsoft's view prevails, PC manufacturers will have to swap the software they are installing in PCs. In either case, PC sales could be interrupted.

The court ruling will seek "the maximum relief available under the law" in its request for an injunction. However, Mr Clow said the company had no intention of disrupting PC shipments. "Our beef is with Microsoft, not the PC makers," he said.

Mr Clow said the company's data compression technology could be used in a way that can be stored on a personal computer hard disk file. Microsoft initially sought to license Stac's technology.

Mr Clow said he held licensing negotiations with Microsoft in 1993, but the companies had been unable to reach agreement. Subsequently, Microsoft introduced MS-DOS 6.0, a new version of its PC operating system that includes data compression technology.

While the court ruled that Microsoft's data compression method infringes Stac's patents, the jury said the infringement was not "willful". Microsoft plans to appeal the ruling and, if he refuses, will appeal the company said.

The court also awarded damages of \$13.8m to Microsoft for Stac's use of Microsoft trade secrets.

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## Three-month income rises at Canadian bank

Strong growth in interest income and lower loan-loss

provisions propelled first-quarter earnings at Toronto-Dominion Bank to their highest level since early 1990, writes Bernadine Simon in Toronto.

The bank, Canada's fifth largest, reported a continuing drop in non-performing loans, but said its real-estate and forestry portfolios remain a concern. Net income climbed to \$168m (\$128m), or 52 cents a share, in the three months to January 31, from \$131m, or a loss of two cents, a year earlier.

Return on equity was 13.5 per cent, against a negative 0.7 per cent. Total assets grew from \$380.1bn to \$392.4bn. Loan-loss reserves dipped to \$1.1bn from \$1.5bn.

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## POSEIDON GOLD LIMITED

ACN 007 511 005

REPORT ON ACTIVITIES FOR THE QUARTER AND SIX MONTHS TO 31 DECEMBER 1993

	31 Dec 1993	31 Dec 1992
Production		
PosGold Interest		
MLGM	75.60	56.531
NFM	48.98	55.845
GMM	28.07	108.656
TOTAL	152.65	221.032

- SIGNIFICANT EVENTS FOR THE HALF YEAR**
- Unaudited operating profit of \$1.1m, or 75% of the previous period.
  - Interim dividend of US\$0.035 per share, payable on 8 April 1994.
  - Equity production of 373,121 shares on the previous corresponding period.
  - Group production of 613,770 shares.
  - Average price of US\$417 per ounce realised on group gold.
  - Average price of US\$203 per ounce realised on group silver.

Amounts quoted in US dollars are Australian dollars converted at the rate of A\$1.00 = US\$0.71

Gold (PosGold) both in mining and in three of Australia's largest gold mines through its major shareholdings in Mt Leyshon Gold Limited (MLGM), Newmont Limited (NFM) and Kalgogor Limited (GMM).

Reports on activities for the quarter and six months can be obtained from the Company Secretary, Poseidon Gold Limited, 100 Hutt Road, Adelaide, SOUTH AUSTRALIA 5000. Telephone: 08 303 1777 - Facsimile: 08 303 1778

## THE BUSINESS SECTION

appears Every Tuesday & Saturday.

Please contact Michael Miles on 071-623 3300 or Neil Layton on 071-623 4780 to write to them in The Financial Times.

One Waterloo, Suite 908, London SE1 9PL. Tel: 071-623 4780.

LEEDS PERMANENT BUILDING SOCIETY £250,000,000 Floating Rate Notes due 1996

in accordance with the terms and conditions of the Notes, the interest rate of the Notes will be 5.50% per annum, payable on 24th February, 1994, and on 24th May, 1994, and on 24th August, 1994, and on 24th November, 1994, and on 24th February, 1995, and on 24th May, 1995, and on 24th August, 1995, and on 24th November, 1995, and on 24th February, 1996, and on 24th May, 1996, and on 24th August, 1996, and on 24th November, 1996, and on 24th February, 1997, and on 24th May, 1997, and on 24th August, 1997, and on 24th November, 1997, and on 24th February, 1998, and on 24th May, 1998, and on 24th August, 1998, and on 24th November, 1998, and on 24th February, 1999, and on 24th May, 1999, and on 24th August, 1999, and on 24th November, 1999, and on 24th February, 2000, and on 24th May, 2000, and on 24th August, 2000, and on 24th November, 2000, and on 24th February, 2001, and on 24th May, 2001, and on 24th August, 2001, and on 24th November, 2001, and on 24th February, 2002, and on 24th May, 2002, and on 24th August, 2002, and on 24th November, 2002, and on 24th February, 2003, and on 24th May, 2003, and on 24th August, 2003, and on 24th November, 2003, and on 24th February, 2004, and on 24th May, 2004, and on 24th August, 2004, and on 24th November, 2004, and on 24th February, 2005, and on 24th May, 2005, and on 24th August, 2005, and on 24th November, 2005, and on 24th February, 2006, and on 24th May, 2006, and on 24th August, 2006, and on 24th November, 2006, and on 24th February, 2007, and on 24th May, 2007, and on 24th August, 2007, and on 24th November, 2007, and on 24th February, 2008, and on 24th May, 2008, and on 24th August, 2008, and on 24th November, 2008, and on 24th February, 2009, and on 24th May, 2009, and on 24th August, 2009, and on 24th November, 2009, and on 24th February, 2010, and on 24th May, 2010, and on 24th August, 2010, and on 24th November, 2010, and on 24th February, 2011, and on 24th May, 2011, and on 24th August, 2011, and on 24th November, 2011, and on 24th February, 2012, and on 24th May, 2012, and on 24th August, 2012, and on 24th November, 2012, and on 24th February, 2013, and on 24th May, 2013, and on 24th August, 2013, and on 24th November, 2013, and on 24th February, 2014, and on 24th May, 2014, and on 24th August, 2014, and on 24th November, 2014, and on 24th February, 2015, and on 24th May, 2015, and on 24th August, 2015, and on 24th November, 2015, and on 24th February, 2016, and on 24th May, 2016, and on 24th August, 2016, and on 24th November, 2016, and on 24th February, 2017, and on 24th May, 2017, and on 24th August, 2017, and on 24th November, 2017, and on 24th February, 2018, and on 24th May, 2018, and on 24th August, 2018, and on 24th November, 2018, and on 24th February, 2019, and on 24th May, 2019, and on 24th August, 2019, and on 24th November, 2019, and on 24th February, 2020, and on 24th May, 2020, and on 24th August, 2020, and on 24th November, 2020, and on 24th February, 2021, and on 24th May, 2021, and on 24th August, 2021, and on 24th November, 2021, and on 24th February, 2022, and on 24th May, 2022, and on 24th August, 2022, and on 24th November, 2022, and on 24th February, 2023, and on 24th May, 2023, and on 24th August, 2023, and on 24th November, 2023, and on 24th February, 2024, and on 24th May, 2024, and on 24th August, 2024, and on 24th November, 2024, and on 24th February, 2025, and on 24th May, 2025, and on 24th August, 2025, and on 24th November, 2025, and on 24th February, 2026, and on 24th May, 2026, and on 24th August, 2026, and on



## INTERNATIONAL COMPANIES AND FINANCE

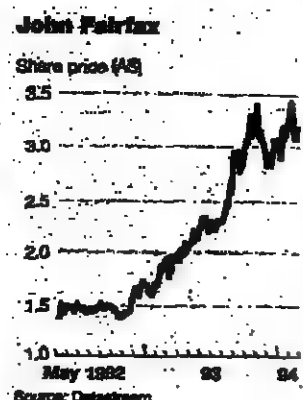
## Rise in advertising and sales lifts Fairfax 50%

By Nikid Tait in Sydney

John Fairfax, the Australian newspaper group in which Mr. Fairfax, the Canadian media proprietor, holds a minority interest, yesterday announced a 50.2 per cent increase in first-half profits after tax but before amortisation, at A\$42.2m (US\$38.9m).

The advance at the pre-interest operating level was slightly more modest - a 15.2 per cent rise to A\$101.8m. This, said Fairfax, reflected "improving economic conditions and reduced costs". Operating revenues were up by 7.2 per cent as a result of increased advertising rates and volumes, and increases in some cover prices.

Overall, Fairfax - which takes in the Sydney Morning Herald, The Melbourne Age and the Australian Financial Review - saw advertising revenue increase by about 6 per



cent and circulation revenue by some 10 per cent. Operating costs for the half-year were up by 4.7 per cent due to promotional initiatives and the increased activity.

The company said that circulation figures for the Saturday editions of The Age and Herald

were strong and that AFR circulation had also increased. But it acknowledged that weekday circulations of The Age and Herald had fallen.

Fairfax's net profits total was helped by a significant fall in interest charges - down from A\$27.1m in the first half of 1992-93 to A\$19.6m in the most recent period. The company also enjoyed a A\$28m abnormal income tax benefit, bringing bottom-line profits to A\$82.1m, compared with A\$29m last time.

An Australian senate inquiry looking into foreign ownership in the print media is being extended to give the committee time to question Mr. Fairfax. The committee is examining reasons behind the Labor government's decision to allow Mr. Fairfax's ownership consortium to lift its interest in Fairfax from 15 to 25 per cent. See UK Companies



Conrad Black

## Setback for Hollinger earnings

By Bernard Simon in Toronto

Hollinger, the international newspaper holding company controlled by Mr. Conrad Black, suffered a two-thirds fall in earnings last year despite an 8 per cent rise in the contribution from its flagship, the UK-based Telegraph group.

The drop was largely due to higher interest expenses and unusual items, mostly related to Hollinger's acquisition of a 9.3 per cent interest in Southern, Canada's biggest daily newspaper chain. The Telegraph also has a 9.3 per cent stake in Southern.

Hollinger's operating earnings were virtually unchanged before taking the unusual items and the cost of the Southern investment into account. Net earnings dipped to C\$25.3m (US\$18.8m), or 31 cents a share, from C\$27.4m, or 32.1¢, in 1992.

Revenues advanced to C\$383m from C\$370m. Although the 68 per cent-owned Telegraph reported an 18 per cent rise in operating earnings, the impact on Hollinger's income was dampened by the weaker pound against the Canadian dollar.

Operating results improved in all businesses except for Canadian publications. Hollinger recently announced plans to spin off part of its wholly-owned Canadian and US subsidiaries to the public.

The net cost of the Southern investment is estimated at C\$6.5m in 1994 (assuming constant 1994 rates and an unchanged dividend), down from C\$18.2m last year.

## TNT bounces back with A\$25m

By Nikid Tait

TNT, the Australian transportation group which saw boardroom upheavals last year and has been promoting its activities in an effort to reduce heavy borrowings, yesterday reported a net operating profit before abnormal items of A\$5.5m (US\$4.3m) in the six months to end-December. The equity-consolidated figure compares with a loss of A\$8.5m in the same period of 1992.

After abnormal items, the net equity-accounted profit stood at A\$22.5m, a sharp improvement on last time's A\$14.5m loss. Revenues were A\$2.85bn, compared with A\$2.8bn.

TNT said that the return to

profit was largely due to better trading results from Ansett, the Australian airline which it owns jointly with Mr. Rupert Murdoch's News Corporation, and to the general restructuring of the group's business, which has involved a significant disposal programme.

It pointed out that TNT benefited from some non-recurring items in the first half of 1992, due to the involvement of its event merchandising unit in Expo '92 and the 1992 Olympic Games, and the underlying improvement in the most recent six months was more marked still.

Despite the overall advance, the group's core transportation operations still had a mixed first half. The Australian bus-

showed a "significant" improvement, the Canadian unit continued to turn round. The domestic freight business in the UK was also strong, while TNT Germany improved profits.

But other parts of continental Europe were more difficult. The Spanish operations "performed below expectations in a severely depressed economy". In Italy, TNT Traco reported profits "marginally lower" than in the previous period, while in France the TNT Chronoservice business remained in the red, although losses were reduced.

TNT's share of net profits before abnormal items from Ansett Transport Industries rose to A\$8.5m

from A\$3.7m. But its 50 per cent interest in GD Express Worldwide, the international express delivery operation, delivered a loss of A\$24.6m against a loss of A\$22.6m last time. TNT said GDEW's operating loss was expected, and that the target of profits by 1995 was still in course.

Interest in the first half fell to A\$41.5m from A\$48.8m, and the company estimated that its net debt to equity ratio had improved from 2.18 at end-June to 1.08 at end-December. Looking ahead, it added that the improvement in operating performance was expected to continue, but that it would be affected by several factors, especially in the third quarter.

## Renison puts blame for tumble into red on weak prices and demand

By Nikid Tait

Renison Goldfields, the Australian mining company which is 40 per cent owned by Britain's Hanson group, yesterday reported a net loss of A\$15.3m (US\$11m) in the six months to end-December, down from a A\$10.4m profit in the corresponding period of 1992-93. Operating revenues were A\$276.4m, compared with A\$280.9m a year earlier.

The move into the red was blamed on weak prices and demand. Renison said that the prices were more than 20 per cent lower than a year ago while copper was down by 15 per cent. That price for aluminium oxide, a key product, was also depressed.

The effect of these signifi-

cantly lower prices was partially offset by strengthening demand and gold prices, and the Namara open-cast coal mine made a A\$8m profit contribution, meeting its contracted sales since the mine started up. But, although there were no abnormal charges in either the first-half period, the latest results do include A\$3.8m of restructuring costs, related to both the exploration division, which was overhauled during the first half, and the head office.

Renison said yesterday that the changes to the exploration side would mean more effort being expended on exploring for gold, base metals and industrial minerals in specific regions of Australia. Offshore activities would "concentrate on the

identification of advanced exploration targets". Its Canberra exploration office is being closed and the division will be managed from Perth.

Both the mineral sands and the tin interests were loss-making in the first half as was the Mount Lyell copper mine. On the gold front, the group's interest in the Porgera gold mine in Papua New Guinea - which was reduced from 30 per cent to 20 per cent in February 1993 - contributed A\$5.7m, compared with A\$40m last time.

Mr. Tony Cotton, the Hanson director who was appointed deputy chairman of Renison in October, will become chairman of the company on March 1. He will be replaced by Mr. Max Roberts, who is retiring.

## Siam Cement falls 20% to Bt3bn

By Nikid Tait

Siam Cement, the Thai construction materials company and the country's largest conglomerate, reported a 20 per cent fall in consolidated net profits for 1993 to Bt3.18bn (\$124m), from Bt3.88bn a year earlier.

Strong end-of-year demand for cement helped fourth-quarter profits climb 64 per cent to Bt4.1bn.

Analysts said the drop in earnings should not be a cause for concern, as the company's general health is buoyed by continued heavy domestic demand for cement.

The company's aggressive depreciation policy ensures capital expenditure hits short-term profits, but with a life of 30 years is typically depreciated within five years.

Mr. George Morgan, head of research at HSBC Asia in Bangkok, said he was expecting Siam Cement's net profits of Bt4.1bn in 1994.

## Nine Network buys films stake

By Nikid Tait

Mr. Kerry Packer's Nine Network Australia, which has a 14.97 per cent stake in John Fairfax, is buying a minority interest in Regency Enterprises, the Hollywood film production and distribution company which produced and financed films such as JFK and Somersby and which has ties with Time Warner.

The Australian TV and radio company is buying out the interests in Regency which are currently held by an existing

minority investor, Dr. H. S. Scribe, but will also subscribe some additional capital to help fund Regency's expansion plans.

The total cost of Nine's investment is expected to be around A\$185m (US\$118.7m), although the money will be committed in two tranches.

The final details of the transaction have yet to be negotiated and the deal is due to be completed within two months.

Nine Network is likely to end up with around 30 per cent of Regency. The remainder will

be held by Mr. Arnon Milchan, who founded Regency in 1981, when a long-term financing and distribution arrangement with Time Warner, the entertainment group, was set up.

Yesterday, in Sydney, Mr. Bruce Gynell, Nine Network chairman, said that there should be "strategic benefits" from the investment, and that it would have "the added attraction of bringing us even closer to Time Warner".

Last year, Nine signed a new three-year programming contract with Time Warner.

## Showa Shell plunges on forex losses

Eniko Terazono in Tokyo

Showa Shell Sekiyu, the Japanese oil refiner and distributor affiliated with Royal Dutch Shell, reported a 64.3 per cent fall in after-tax profits for the year to last December after writing off its losses on foreign exchange futures trading.

The company lost Y115.3bn (\$1.09bn) from \$4.9bn worth of dollar futures contracts, part of which was used to pay for crude oil and other imports.

After-tax profits totalled Y9bn as Showa Shell posted extraordinary losses of Y80.1bn, part of which it covered with extraordinary gains of Y65bn from stock and land sales completed within two months.

The company will maintain its annual dividend of Y8 per share. Pre-tax profits fell 3.8 per cent to Y36.6bn due to a rise in distribution costs. Sales fell 7.5 per cent to Y1,447.7bn, but operating profits rose 34.5 per cent to Y61.4bn thanks to

strong sales of its high-margin petrol and a change in accounting methods for depreciation costs.

For the current year to December, Showa Shell expects to write off Y23bn out of the remaining unrealised losses on its dollar futures holdings. The company is projecting a 6.7 per cent fall in sales to Y1,505bn and a 23.6 per cent plunge in pre-tax profits to Y26bn. After-tax profits are expected to rise 48.9 per cent to Y15bn.

Operating results improved in all businesses except for Canadian publications. Hollinger recently announced plans to spin off part of its wholly-owned Canadian and US subsidiaries to the public.

The net cost of the Southern investment is estimated at C\$6.5m in 1994 (assuming constant 1994 rates and an unchanged dividend), down from C\$18.2m last year.

## Pasminco registers A\$11m deficit

By Nikid Tait

Pasminco, the Australian zinc and lead producer, yesterday unveiled a loss of A\$11.2m (US\$8m), after tax but before abnormal items, in the six months to end-December. In the same period of the previous year, there was a A\$4.7m loss.

Abnormal charges amounted to a further A\$8.7m, and reflected redundancy costs of A\$6.3m, plus a A\$2.4m loss on the sale of certain UK assets to

MIM Holdings. This left the group's bottom-line loss at A\$19.9m, compared with A\$6m a year earlier. Total revenues fell from A\$788m to A\$614.5m (US\$454m), after tax but before abnormal items, in the six months to end-December, due to world overcapacity, had caused the loss but also noted that "continued improvements in productivity and efficiency generated cost savings of A\$42m pre-tax". Under the circumstances, it suggested that the loss this time compared

favourably with the previous year's half-time result.

Pasminco says it hopes to improve on last time's full-year result, which showed a net loss before abnormal items of A\$63.2m.

The half-year figures benefited from a reduction in the group's interest charges - down from A\$14.4m to A\$10.9m, with borrowings declining by A\$170m to A\$551m, due to the sale of the UK assets and a share placement which raised A\$88m.

Analysts said the drop in earnings should not be a cause for concern, as the company's general health is buoyed by continued heavy domestic demand for cement.

The company's aggressive depreciation policy ensures capital expenditure hits short-term profits, but with a life of 30 years is typically depreciated within five years.

Mr. George Morgan, head of research at HSBC Asia in Bangkok, said he was expecting Siam Cement's net profits of Bt4.1bn in 1994.

EMRC officially patronized by the European Commission is organizing in Brussels, capital of Europe, the next international event:

## EUROMARKET AWARD, March 7-8, 1994

Business opportunities in Europe specially designed for EASTERN EUROPE &amp; AFRICA

Businessmen, industrialists and executives of West European companies interested in participating in the next EMRC event will meeting the East European and African enterprises in Brussels are requested to contact:

E.M.R.C. INTERNATIONAL ASSOCIATION  
287 Avenue Louise - 1050 Brussels - Belgium  
Telephone: (32-2) 646.53.40 - Fax: (32-2) 647.86.74

## EUROMARKET AWARDS: EASTERN EUROPE

MMM-Invest - Moscow, Russia  
Transforming Russia into a land of shareholders

Dr. Alexander BICHKOV, General Manager of MMM-Invest was among the participants at the last EMRC Conference. MMM-Invest is one of the emerging investment companies in Russia, trying hard to assist the government to change this into a free market.

Lots is being done by Dr. BICHKOV and his team to transform the general population into active capitalists. MMM-Invest is doing so by taking advantage of the Government's voucher scheme. "The Government of Russia" says Dr. BICHKOV "is in the process of privatizing all the country's productive assets; most of the country's small and medium-sized enterprises have already been transferred to the private sector. Of the 14,500 large enterprises in Russia, about 11,000 are in the process of privatization. This has been done in part by distributing vouchers to the employees in the companies which are being sold off."

According to rough estimates, nearly 10 million Russians have already changed their status for shares, and 65 million Russians have not yet decided to use their vouchers. "We, in MMM-Invest, are entering the exchange market for stock in order to help thus transforming them from part owners of a particular company to part owners of a large investment company with diversified investments."

With these vouchers we can buy what in our opinion are potentially profitable companies. Those who exchange their vouchers for our stock become fully-fledged capitalists with a vested interest in the

success of the economic reforms".

Wide range of investments  
MMM-Invest has invested in a wide range of business enterprises, hotels, industrial & commercial companies, anything which its investment department considers a profitable investment. For example: Central Universal Shop-TZUM (Moscow); Surgutneftegas (oil and gas company, West Siberia); AvtoVAZ (Lada cars); LOMO (big optical company, St.Petersburg).



Dr. Bichkov at the EMRC 1993 conference: dragging Russia into free market economy.

Dr. BICHKOV attributes his company's success in no small part to his team of experts. "We have an excellent team of professionals who evaluate the different companies and advise the management on the investment policy. The company has been operating since Dec. '92 and in this period we have already made investments totalling 872 billion rubles (about 733 million USD). This is ample proof that the public in Russia is fast adapting itself to market practices, since our main source of finance are the vouchers, or in other words the public."

Dr. BICHKOV is anxious to promote Western European investments in Russia, and he is the EMRC conference in Brussels as a means to attract Western investors in the vast potential of the Russian market. "Western investors are perhaps deterred by the lack of political and financial stability in Russia, but I believe that the worst is behind us. The political and economic reforms may have caused a certain amount of disruption but in my opinion, the situation has changed for the better, stabilized even, and this will perhaps increase the number of foreign investors in our country."

Dr. BICHKOV has only tried to promote Russia as a concept, as a place to invest money, he also tried to interest Western businessmen in joint investments with MMM-Invest. Dr. BICHKOV told the reporter that "Our company can provide the expertise in Russia and perhaps some of the cash; the Western partner can provide money and markets".

Incidentally one of the means of co-operation between the two partners. MMM-Invest is one of the first private investment companies set up in Russia and now among the largest investment funds of the country. It is believed that the concept of exchanging vouchers for MMM-Invest stock is nothing short of ingenious. It has created an investment company in a country strapped for cash, it has created a framework for the promotion of one of the most important aspects of the free market, the involvement of the small investor in enterprises of all kinds through share ownership.

## The quality bank in the Balkans.

When Mr. Boris MITEV ascended the podium to receive the EMRC award, he was in familiar territory. He is chairman of a bank which was awarded three times for outstanding financial services: in 1991, the International Financial Award; in 1992 and again in 1993, the Golden Trophy for Quality and now, the Euromarket Award.

Commercial Bank Biochim of Bulgaria is one of the leading and most forward-looking banks in that country. Since its establishment in 1987, it has won a special place as one of the most modern banks in the whole Balkan area.

Mr. Boris Mitrev is very proud of the bank's achievements. "During the past five years, we have endeavoured to introduce Bulgaria modern techniques of banking. We offer a full range of banking services such as deposits, loans, overseas money transfers, securities, cheques and banking services to exporters and importers."

A government-owned bank with capitalists leaning.

Biochim's strong financial base is due, in no small way, to the fact that it is a State-owned joint-stock company among some of Bulgaria's important Government-owned corporations. At present, 23.2% of the bank's shares are held by chemical and petrochemical companies (hence the name of the bank), 4.5% are held by private companies and the rest by private individuals.

It is the policy of the Government of Bulgaria to gradually privatize the business sector and this means



President of the bank Boris Mitrev (second from left) with Hans Thunert of EMRC (center) at the last EMRC.

that in the future, the bank will probably be owned by private companies. Being very profitable, it is very unlikely that the present shareholders will willingly sell their holdings when they are privatized. Part of the Bank's success in building a solid clientele and in creating an extensive network of correspondent banks throughout the world, lies in the stable environment in which it operates. Bulgaria is one of the only countries in the former Soviet Union with the possible exception of the Czech Republic - which is still politically and financially unstable.

Mr. Mitrev is very optimistic about the future: "Bulgaria is undergoing a very drastic reform process. We believe that the transformation of the economy into a fully-fledged Western style capitalist system is gradually transforming our country and creating new and exciting opportunities for doing business. We believe that the future development of our country will permit our bank to expand and grow. This will be given the chance all playing an important role in transforming Bulgaria into a free market economy."

GENTRA INC.  
(formerly Royal Trustco Limited)  
Notice of Voluntary Redemption on March 31, 1994 to holders of  
11 3/4% Debentures due 1994  
9 1/4% Debentures due 1995  
5 1/4% Bonds 1986-1995  
Floating Rate Debentures due 1995  
(each a "Series" and collectively the "Senior Debt")

Pursuant to the provisions of each Series of Senior Debt, as amended by the Plan of Arrangement of Gentra Inc. (the "Company") effective September 1, 1993 (the "Plan of Arrangement"), the Company may, at its option, redeem the Senior Debt, in whole or in part, on any of March 31, June 30, September 30 and December 31 in each year. The aggregate principal amount of Senior Debt to be redeemed shall be determined by the Company.

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of each Series of Senior Debt, as amended by the Plan of Arrangement, the Company will redeem Senior Debt in the aggregate principal amount of Cdn\$125,000,000 of an aggregate principal amount of Cdn\$1,754,400,850 of Senior Debt outstanding on March 31, 1994 (the "Voluntary Redemption Date"). The redemption price in respect of each Debenture or Bond, as the case may be, shall be equal to the principal amount thereof to be redeemed, together with accrued and unpaid interest on the principal amount to be redeemed to but excluding the Voluntary Redemption Date, expressed in the relevant currency of the Series.

The following table provides the details of the voluntary redemption of each Series of Senior Debt:

	Principal Amount of each Series to be Redeemed	Redemption Price in respect of each Series
11 3/4% Debentures due 1994	Cdn\$16,969,441	\$165.69 (in respect of principal) plus \$11.74 (in respect of interest) in respect of each \$1,000 Debenture
9 1/4% Debentures due 1995	Cdn\$1,165,650	U.S.\$165.69 (in respect of principal) plus U.S.\$16.58 (in respect of interest) in respect of each U.S.\$1,000 Debenture
5 1/4% Bonds 1986-1995	Cdn\$1,165,650	U.S.\$165.69 (in respect of principal) plus \$16.55 (in respect of interest) in respect of each \$1,000 Bond
Floating Rate Debentures due 1995	Cdn\$19,385,245	Cdn\$165.69 (in respect of principal) plus accrued interest in respect of each Cdn\$1,000 Debenture

Pursuant to the Plan of Arrangement, holders of the 11 3/4% Debentures due 1994 and the 9 1/4% Debentures due 1995 were required to exchange their debentures for shares of the Company in a global exchange representing the relevant Series, such interest to be held through an account with Euroclear or Codel. The Company will make payment of the aggregate redemption amount in respect of each Series to the holder of the global debenture for that Series and the holders of interests therein will look to Euroclear or Codel for their share of the relevant payment.

Payment on redemption of the 5 1/4% Bonds 1986-1995 will be made against presentation of the definitive certificates representing such Bonds at any office in Switzerland of the following banks: Union Bank of Switzerland, Credit Suisse, Swiss Bank Corporation, Royal Trust Bank (Switzerland), Swiss Volksbank, Bank Leu Ltd., Members of the Groupement des Banquiers Privés Genevois, A. Sautin & Co., Members of the Groupement des Banquiers Privés Zurichois, Cantonalbanken, Bank Comtrade Ltd., Bank Hofmann Ltd., ABN AMRO Bank (Schweiz), Banque Paribas (Suisse) S.A., Citibank (Switzerland), Commerzbank (Schweiz) AG, Dai-ichi Kangyo Bank (Schweiz) AG, Compt. & Co. A.L., The Royal Bank of Canada (Suisse).

Payment on redemption of the Floating Rate Debentures due 1995 will be made against presentation of the definitive certificates representing such Debentures at any of the principal offices of The R.M. Trust Company in Toronto, Montreal, Vancouver and Calgary.

Interest will cease to accrue on all principal amounts subject to redemption from and after the Voluntary Redemption Date.

February 25, 1994 GENTRA INC.  
Toronto, Canada







# What do these companies have in common?

Central Electric Power Co. Inc.  
Hitachi Ltd.  
Nippon Securities Co. Ltd.  
Nippon Electric Corporation  
Sanyo Co. Ltd.  
Sumitomo Bank of Tokyo Ltd.  
Yamaha Motor Co. Inc.

They are all members of the FT Japan Club. If you wish to receive the annual reports of these companies, please ring +44-81-643 7181 or fax +44-81-770 3822.

FT JAPAN CLUB  
ANNUAL REPORT SERVICE







## Woolwich advances 46% to £217m

Bass will hold 49 per cent of the new group. "We hope to double Grolsch sales to around 200,000 barrels a year," he added.

The agreement gives Bass the right to not only to distribute UK-brewed lager to its own pubs and hotels, but to a nationwide network of 37,000 trade outlets and the off-licence industry.

Grolsch also said it could not rule out the possibility that it would conclude similar types of arrangements in other markets, but declined to give details. The company's second-biggest export market after the UK is the US.

**British Telecommunications** has restructured its senior management team to give a sharper focus to its international ambitions.

BT's operations division has been split into two, one for international business, the other for national business.

Mr Alfred Mockett, the current director of business communications, will head the new international division.

Mr Mockett will also take one of the BT seats on the board of MCI, the long-distance US carrier in which BT took a 20 per cent stake for \$5.3bn (£3.63bn) last June.

Woolwich building society yesterday announced a 46 per cent increase in pre-tax profits from £149m to £217m in the year to December 31, due to lower provisions for bad and doubtful debts and improved performances from its 11 operating subsidiaries.

Pre-tax profits for the society itself, the UK's third largest, were £236m (£177m).

The society said the overall provisions for the group were £143m (£183m), of which the charge for loan losses was £128m (£145m).

■ number of homes in possession almost halved during the year from 3,453 to 1,806.

Gross mortgage lending by the society rose by 12 per cent to £2,85m (£2,544m), but net lending fell back slightly to £972m (£978m).

Total assets grew by £20m to £255m.

Despite the intense competition for savings, the society's net interest receipts rose to £1.12m (£889m) and it had a net 12.1 per cent share of the building society savings market.

Only three subsidiaries incurred a loss in 1993. These were: Banque Woolwich, the French mortgage-lending subsidiary; Woolwich SpA, the Milan-based wholesale funded mortgage lending company; and Woolwich property

During 1993, Woolwich issued a further £175m subordinated debt, which contributed to a year-end result of wholesale funds up slightly at 23 per cent (22 per cent) of total share, deposit and loan liabilities.

ties still well below the regulatory limit of 40 per cent.

Mr Kirkham said he expected a "substantial volume of pent-up demand" to be released this year, leading to a rise in the number of property transactions to 1.4m (1.2m), and a 10 per cent increase in house prices by the end of the year.

Mr John Wignlesworth, social policy analyst at UBS, said that results were "impressive and robust".

Though the fall in provisions was less steep than that reported by some other large societies, this reflected the fact that in 1992 Woolwich had had a lower than average provision charge on assets.

## United Carriers sets float price at 153p

**By Louise Lucas in Hong Kong**

Wheelock, the trading conglomerate formerly known as International, teamed up with Virgin Retail in a bid to bring Virgin Megastores to the colony and later, to China and Taiwan.

Virgin Megastores (Hong Kong), the joint venture company, will be equally owned by Wheelock Pacific and Virgin Retail.

In line with other Virgin Megastores throughout the world the store will bring together experience of the local retail market with Virgin's home entertainment retail concept.

Potential sites - which include developments in the Wheelock and bank - are already under consideration, and it is expected the first

joint venture negotiators will be given early next year at the latest.

Whiteland said the move was in line with its plans to form alliances with large international groups as part of its strategy to broaden its market base, especially in the east Asia, Hong Kong and China regions.

Mr Will Whitshorn of Virgin, said plans to tap into the growing home entertainment market in China were complicated by the Chinese government's attitude towards intellectual property rights protection.

Ms Lee Sands, the US trade representative's director for China, has urged the Beijing government to clamp down on intellectual property rights infringement, a long-running source of friction between the two countries.

Mr. Stafford Taylor — the former head of Colnet, BT's cellular mobile joint venture with Securitor — will continue to head the company's telecommunications division, which covers the residential market.

Mr. Michael Hefner, BT's managing director, said the new international division would develop BT's marketable services and capabilities for multinational companies needing global services, a field where BT is likely to be in strong competition with AT&T of the US.

BT and MCI are establishing a film joint venture company to produce a global movie. It is expected to be launched within the next few months as soon as regulatory approval is secured in Washington.

The institutional placing for the Central European Growth Fund, an investment trust to be managed by CS First Boston, was oversubscribed \$150m (£103m). Up to \$50m more expected to be raised from the public offer, which opens today.

The fund, which although dollar denominated will have a London quote, will invest in the Czech Republic, Hungary and Poland, with up to 20 per cent elsewhere in central Europe.

The main focus will be on small to medium-sized companies (\$20m to \$300m capitalisation) listed on the Prague, Warsaw and Budapest stock exchanges, but a proportion will also be invested in companies expected to start a listing within two years.

Mr Charles Hamann, of CS First Boston, described these

economies as "not so much emerging markets as re-emerging markets" with a strong industrial tradition and low wage costs.

CS First Boston has been active in the region for several years, including managing \$100 million for local clients. Investment of money raised during the issue will take place gradually over the next six to 12 months, to avoid pushing up share prices with a flood of new money. This will also allow the fund to take advantage of local economic prospects expected in the near future.

Ordinary shares are offered at \$1, with one warrant attached to every five shares. The impact of issue expenses will mean that ordinary shares will have an initial net asset value of 80 cents.

The public offer closes on March 11, and dealings in the shares and warrants is expected to start on March 21.

United Barriers, the parcels and 10% distribution company, finalised its flotation details yesterday, pricing the shares at 183p to produce a market capitalisation of £31.6m.

The proceeds to the company will be £28m, which will be used initially to reduce borrowings and strengthen the balance sheet, cutting gearing from 42.5 per cent at the year end to between 15 per cent and 25 per cent.

Mr Allan Binks, chairman, said that, with the continuing recovery in the UK economy, the group would now be "well placed to take advantage of its potential for profitable growth in the future."

Just over 16m ordinary shares, valued at 183p, are being placed with institutions. The biggest seller is Pirelli Ventures, which in 1989 backed the

management in a \$53m buy-out from Buzni, now a paper and packing company but then a conglomerate. Buzni is selling its remaining 5 per cent stake.

After the buy-out institutions will hold 68 per cent of the group. Directors, who held 11 per cent, will hold 16 per cent.

The remaining 14 per cent will be held by employees and former employees.

The company's prospects shows that operating profits on continuing operations before extraordinary rose from \$4.6m to \$10.5m over the year to December 1983.

Turnover from continuing operations rose from \$83m to \$106.4m.

The notional net dividend for 1983 is 4.5p, giving a notional gross dividend yield of 4 per cent.

The placing is sponsored by Leake, Brothers and brokers are UBS.

Dealings are expected to commence next Thursday.

**Proteus International**, the computer-aided drug designer, is forming a joint venture with **ImmuVet**, a subsidiary of **Immu-Pro**, a US supplier of animal health products.

To be called **ImmuProvet**, the company will manufacture and market food diagnostics together with products and vaccines for use in animal health care.

The company will be owned equally by Proteus and ImmuVet's Cambridge Veterinary Sciences subsidiary.

Initially **ImmuProvet** will use ImmuVet's diagnostic technology, which is already on the market.

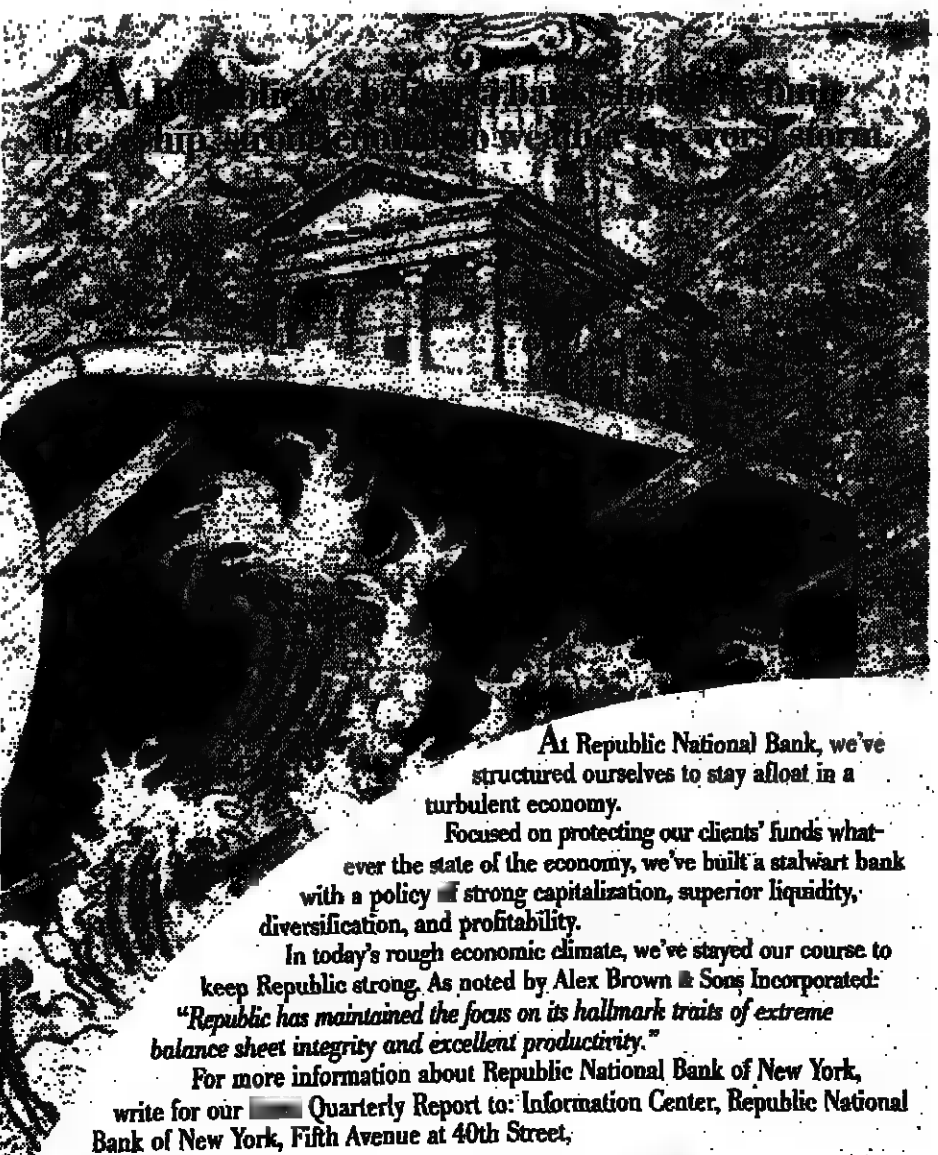
## Alliance Resources \$0.38m in loss

In its first set of results since reconstruction proposals were put to shareholders last June, Alliance Resources, the oil and gas exploration and production company, reported pre-tax losses of \$381,000 (\$261,000) for the six months to October 31. For the year to April 30 1998 there were losses of \$1.53m.

The reduced deficit reflected a cut in administrative expenses to \$407,000 (\$1.54m for

The June proposals comprised the acquisition of Mexu Petroleum, the acquisition of a further 14.35 per cent in the Valentine field, a \$2.8m rights issue and placing together with a capital reconstruction and

In addition, the company's listing was restored in July and the reorganisation plan for its Alliance Resources (USA) subsidiary was approved by the US Bankruptcy Court.



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# The Walt Disney Company

ECU 80,000,000

9% Notes due March 29, 1995

THE WALT DISNEY COMPANY informs herewith the holders of the above mentioned Notes that the annual instalment for March 1994 covering a nominal amount of ECU 16,000,000 has been entirely paid by drawing by the provisions of Clause 6(e) of the Terms and Conditions of the Notes.

The Notes so drawn, i.e. 6,400 Notes bearing a nominal value of ECU 1,000 and 100 Notes bearing a nominal value of ECU 10,000, are as follows:

## Denomination of ECU 1,000

000001	000002	000003	000004	000005	000006	000007	000008	000009	000010	000011	000012	000013	000014	000015	000016	000017	000018	000019	000020	000021	000022	000023	000024	000025	000026	000027	000028	000029	000030	000031	000032	000033	000034	000035	000036	000037	000038	000039	000040	000041	000042	000043	000044	000045	000046	000047	000048	000049	000050	000051	000052	000053	000054	000055	000056	000057	000058	000059	000060	000061	000062	000063	000064	000065	000066	000067	000068	000069	000070	000071	000072	000073	000074	000075	000076	000077	000078	000079	000080	000081	000082	000083	000084	000085	000086	000087	000088	000089	000090	000091	000092	000093	000094	000095	000096	000097	000098	000099	000100	000101	000102	000103	000104	000105	000106	000107	000108	000109	000110	000111	000112	000113	000114	000115	000116	000117	000118	000119	000120	000121	000122	000123	000124	000125	000126	000127	000128	000129	000130	000131	000132	000133	000134	000135	000136	000137	000138	000139	000140	000141	000142	000143	000144	000145	000146	000147	000148	000149	000150	000151	000152	000153	000154	000155	000156	000157	000158	000159	000160	000161	000162	000163	000164	000165	000166	000167	000168	000169	000170	000171	000172	000173	000174	000175	000176	000177	000178	000179	000180	000181	000182	000183	000184	000185	000186	000187	000188	000189	000190	000191	000192	000193	000194	000195	000196	000197	000198	000199	000200	000201	000202	000203	000204	000205	000206	000207	000208	000209	000210	000211	000212	000213	000214	000215	000216	000217	000218	000219	000220	000221	000222	000223	000224	000225	000226	000227	000228	000229	000230	000231	000232	000233	000234	000235	000236	000237	000238	000239	000240	000241	000242	000243	000244	000245	000246	000247	000248	000249	000250	000251	000252	000253	000254	000255	000256	000257	000258	000259	000260	000261	000262	000263	000264	000265	000266	000267	000268	000269	000270	000271	000272	000273	000274	000275	000276	000277	000278	000279	000280	000281	000282	000283	000284	000285	000286	000287	000288	000289	000290	000291	000292	000293	000294	000295	000296	000297	000298	000299	000300	000301	000302	000303	000304	000305	000306	000307	000308	000309	000310	000311	000312	000313	000314	000315	000316	000317	000318	000319	000320	000321	000322	000323	000324	000325	000326	000327	000328	000329	000330	000331	000332	000333	000334	000335	000336	000337	000338	000339	000340	000341	000342	000343	000344	000345	000346	000347	000348	000349	000350	000351	000352	000353	000354	000355	000356	000357	000358	000359	000360	000361	000362	000363	000364	000365	000366	000367	000368	000369	000370	000371	000372	000373	000374	000375	000376	000377	000378	000379	000380	000381	000382	000383	000384	000385	000386	000387	000388	000389	000390	000391	000392	000393	000394	000395	000396	000397	000398	000399	000400	000401	000402	000403	000404	000405	000406	000407	000408	000409	000410	000411	000412	000413	000414	000415	000416	000417	000418	000419	000420	000421	000422	000423	000424	000425	000426	000427	000428	000429	000430	000431	000432	000433	000434	000435	000436	000437	000438	000439	000440	000441	000442	000443	000444	000445	000446	000447	000448	000449	000450	000451	000452	000453	000454	000455	000456	000457	000458	000459	000460	000461	000462	000463	000464	000465	000466	000467	000468	000469	000470	000471	000472	000473	000474	000475	000476	000477	000478	000479	000480	000481	000482	000483	000484	000485	000486	000487	000488	000489	000490	000491	000492	000493	000494	000495	000496	000497	000498	000499	000500	000501	000502	000503	000504	000505	000506	000507	000508	000509	000510	000511	000512	000513	000514	000515	000516	000517	000518	000519	000520	000521	000522	000523	000524	000525	000526	000527	000528	000529	000530	000531	000532	000533	000534	000535	000536	000537	000538	000539	000540	000541	000542	000543	000544	000545	000546	000547	000548	000549	000550	000551	000552	000553	000554	000555	000556	000557	000558	000559	000560	000561	000562	000563	000564	000565	000566	000567	000568	000569	000570	000571	000572	000573	000574	000575	000576	000577	000578	000579	000580	000581	000582	000583	000584	000585	000586	000587	000588	000589	000590	000591	000592	000593	000594	000595	000596	000597	000598	000599	000600	000601	000602	000603	000604	000605	000606	000607	000608	000609	000610	000611	000612	000613	000614	000615	000616	000617	000618	000619	000620	000621	000622	000623	000624	000625	000626	000627	000628	000629	000630	000631	000632	000633	000634	000635	000636	000637	000638	000639	000640	000641	000642	000643	000644	000645	000646	000647	000648	000649	000650	000651	000652	000653	000654	000655	000656	000657	000658	000659	000660	000661	000662	000663	000664	000665	000666	000667	000668	000669	000670	000671	000672	000673	000674	000675	000676	000677	000678	000679	000680	000681	000682	000683	000684	000685	000686	000687	000688	000689	000690	000691	000692	000693	000694	000695	000696	000697	000698	000699	000700	000701	000702	000703	000704	000705	000706	000707	000708	000709	000710	000711	000712	000713	000714	00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## COMPANY NEWS: UK

## Strong end to year as Telegraph rises 36%

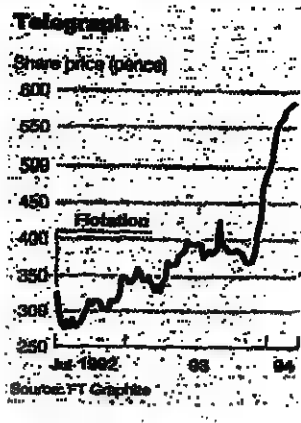
By Maggie Urry

A strong final quarter helped The Telegraph lift 1993 pre-tax profits 36 per cent from £44.3m to £60.2m. Excluding one-off items, pre-tax profits were 15.5 per cent higher at £53.7m.

A final dividend of 7.5p is proposed to give a total of 13p (11p), a rise of 18 per cent. Mr Joe Cooke, managing director, said that the trend of stronger advertising revenue had continued into the current year. The shares rose 7p to 597p, which compares with the flotation price of 325p in July 1982.

The group, which publishes the Daily and Sunday Telegraph in the UK, also has a 25 per cent stake in John Fairfax Holdings, the Australian newspaper group, and a 9.4 per cent stake in Southern, the Canadian publisher. Nearly 20 per cent of pre-tax profit comes from outside the UK, Mr Cooke said.

During 1993, newspaper advertising revenue rose 8 per cent while circulation revenue increased by almost 6 per cent. Mr Cooke said that the price of the Monday to Friday Daily Telegraph had been increased in February last year, but the Saturday and Sunday papers prices had not risen in the



Source: FT CompuLink

autumn as was usual. The Saturday edition's price was "the next candidate" for an increase, he said.

About 53 per cent of revenue came from advertising, a recovery from recent years, but well below the two thirds contributed in the peak year of 1989. Group turnover rose 8 per cent to £255.7m (£237.2m) for operating profits up from £37.5m, after £2.2m of float costs, to £42.9m. The sale of a stake in Trinity International Holdings in February contributed a profit of £8.5m. Associates more than doubled to £12.7m (£5.9m) because of the increase in the Fairfax stake.

There was a £2.8m worsening in the interest position, as a credit of £900,000 turned to a debit of £1.5m. During 1993 The Telegraph increased its stake in Fairfax from 15 per cent, at a cost of £74m and acquired the Southern stake for £58m. As a result total borrowings rose from £40.5m to £104m. However, taking account of cash of £9.5m, gearing at the year end was 31 per cent.

The tax rate rose from 27.5 per cent to 30.9 per cent. Earnings per share were higher at 30.6p (25.8p) or 27.4p (23.5p), excluding the investment profit.

**COMMENT**  
The cycle is beginning to work in The Telegraph's favour and 1994 should see further good growth in advertising. Meanwhile, Fairfax is proving a good investment, though the cycle there is perhaps two years behind that in the UK. Later on the Southern stake should also contribute as it also responds to the cost-cutting. With profits this year expected to rise to about £60m, the prospective p/e is about 17. Suspensions over the 68 per cent stake held by Mr Black's Hollinger group seem to have been dispelled and the shares could continue to outperform.

## Provident Financial ahead 54% to £62.5m

By Alison Smith

Provident Financial, the personal loan and consumer finance group, yesterday reported pre-tax profits of £62.5m for 1993, a 54 per cent increase over the previous year's restated £40.7m.

Earnings per share rose by 47 per cent to 51.4p and a recommended 46 pence dividend was paid. The final dividend of 11.25p makes a 16p (11.4p) total.

Mr John van Kuffeler, chief executive, said profitability had benefited from the steps taken over the last couple of years to rationalise the group's

operations by reorganising the continuing businesses and disposing of underperforming subsidiaries.

Borrowings fell from £228m at the start of 1993 to £187m at the year-end, reflecting partly the receipt of £30m from the sale of Bradford-based Peoples Bank and the business of Peoples Motor Finance.

The group has reduced its offices to 267 (360) and cut the number of its employees from 4,100 to 3,500.

Its self-employed sales force who act as agents in the home collecting credit operation, the main business, has also

dropped in size slightly.

It offers unsecured loans, mostly to tenants on council estates, on which it charges high rates of interest to compensate for collection and risk.

Pre-tax profits for the home collected credit division increased by 29 per cent to £58.1m. Bad debt charges were broadly the same as in 1992, £1.5m, but in 1993 they increased. However, because credit issued and collected rose by 7 per cent the charges fell as a proportion of total credit.

The group is "hoping, but

not expecting", that charges for bad debts might go down in 1994.

The insurance division doubled its pre-tax profits to £10.8m. The main growth in the underwriting business came from Halifax Insurance, which increased its policyholder numbers to 618,000 (400,000) at the year-end.

Mr van Kuffeler said motor premiums levelled off in the last quarter of 1993, after nine months of strong growth. He did not expect similarly strong growth in 1994.

Halifax Insurance also benefited from a payment from

Halifax building society in purchasing its trademarks, and is now being renamed Provident Insurance.

A £2m restructuring provision was made to cover the setting up of a pilot telephone sales operation as part of Colonnade Insurance brokers, where trading profits rose from £700,000 to £900,000. The company has lost customers to direct writers, and the group is rationalising its activities. About 20 of its 120 branches are expected to close during the year.

Provident's shares closed 10p lower at 499p.

## Beazer Homes to raise £50m of new money

By Maggie Urry

Beazer Homes is to raise £50m of new money when it is floated by Hanson next month. Before the new money, Beazer will have no debt.

The new funds would finance land purchases and working capital to take Beazer Homes a long way towards its target of building 7,000 houses by the end of the decade, the group said.

In its pathfinder prospectus, issued yesterday, Beazer Homes said that had it been quoted for a full year to June 1994 it would have paid a dividend of 8.4p, a rise of 8 per cent over an indicated 5p pay-out for 1993.

The 1993 dividend would have been covered 2.3 times by adjusted earnings of 11.4p, not taking account of the bene-

fit of the £50m. Mr Victor Benjamin, chairman, said he expected dividend cover to vary between two and three depending on the stage of the house-building cycle.

The group said that during the first four months of the current financial period, which will be for nine months, reservations were 33 per cent up and completions 28 per cent up.

Mr Dennis Webb, chief executive, said the group was currently in late stages of negotiating the purchase of 3,000 plots of land, at an average price of £11,000. At the end of December the group's land bank was 16,117 plots at an average price of £8,500.

It is expected that selling prices to rise, partly as the group changed its mix towards the higher end

of the market, and also because the levels of sales incentives were falling, from some £4,000 to £2,000 a house to about £2,000 to £3,000 now.

The prospectus warned that because the group was currently developing higher cost sites, gross margins would be reduced in the current year. This would put some pressure on the operating margin which was 11.1 per cent in the year to September, said Mr David Smith, finance director.

The group has about 4,000 plots bought between 1991 and 1993 when land costs were higher. "We would be used in the short term", Mr Webb said.

Mr Smith also warned that the tax charge would rise over the next three to four years from 25 to 33 per cent. Analysts said the amount of new

money being raised was encouraging as Beazer Homes would come to market with a strong balance sheet.

However, the fall in the stock market yesterday was also weighing on forecasts of the group's likely market capitalisation which ranged up to £450m.

Mr Webb said the "ethos and structure" of the company was based on the fact that a profitable housebuilder needs a good local knowledge of its markets.

The group is divided into 14 autonomous companies, and there are few central functions although there were strict central financial controls.

The subsidiaries are responsible for buying land, building what sort of houses to build, for buying materials and marketing the finished product.

## Development Securities back in the black

By Simon Davies

Development Securities, formerly Claythorn Properties, has returned to the black after three years of heavy losses.

The company has undertaken a radical programme of asset sales in the last two years, but since Mr Martin London took a significant shareholding and joined the board last June, it has started to rebuild its investment portfolio.

Pre-tax profits in 1993 amounted to £200,000, compared with losses of £40.8m restated for 1993, but the figures were boosted by the release of £8m of negative goodwill from the sale of Stead & Simpson, the shoe retailer.

Turnover fell to £26m (£27.4m).

The company raised £54.4m during the year through two placements and open offers, and boosted its investment portfolio from £31.2m to £80.5m.

It has become more positive about the property development market, and is to start work on two sites, after several years of inactivity.

Mr London, deputy chairman, said the company had cleaned up its balance sheet and was looking to rebuild through property investments, or by acquisition.

Earnings per share amounted to 1.5p (107p losses).

## Towry Law at £565,000 after listing costs

By Bethan Hutton

Towry Law, the chain of independent financial advisers which floated last November, returned pre-tax profits of £565,000 for the six months to December 31 after meeting the £237,000 costs of listing.

The comparable figure for 1992 was £42,000.

Turnover rose to £10.9m, an improvement of 28 per cent over last year's £8.4m.

An interim dividend of 1.5p (£1.5m) was declared.

Mr Cecil Law, chairman, said that as trading last year was "difficult" in the first half and strong in the second six months, the increase in the current second half was unlikely to be as large.

The financial services industry is currently the subject of an investigation into faulty advice on pension transfers. Independent financial advisers have been among those criticised, but Towry Law said it had not advised on any transfers involving opt-outs from final salary schemes, and its involvement generally in transfers from public sector schemes was minor.

Pensions advisory activities are responsible for the smallest proportion of turnover of the company's three divisions, after financial planning and insurance broking.

## DIVIDENDS ANNOUNCED

	Current payment	Interim payment	Corporation tax	Total for year	Total for year
British Gas	8.1	Jul 8	7.8	14.8	14.8
Flowers	3.34p	Mar 26	2.84	-	7.92
Gannett Shared	17	Apr 28	17.4	27.5	27.5
ICI	0.5	Apr 3	0.4	0.5	0.4
London Finance	1.7	Mar 31	1.1	3.4	2.1
Meridian Green	11.25	Apr 28	7.7	18	11.4
Provident Fin	1.75	Apr 7	-	-	1.75
Quintile Micro	4.25	May 31	4.06	8.8	8.46
Regent Inns	1.75	Apr 7	-	-	2.25
Royal Dutch	4.25	May 31	4.06	8.8	8.46
Royal Insurance	1.75	Apr 7	-	-	1.75
Shell Transport	1.75	May 11	6.5	-	11
Telegraph	1.75	Apr 30	1.75	-	7.1
Thornycroft Dual	1.5	Apr 1	-	-	1.5
Towry Law	1.5	Apr 1	-	-	1.5

Dividends shown pence per share net. †On increased capital. ‡SUSM stock. †Dutch guilders. ‡Adjusted for demerger. †4th pence. ‡For 10 months.



The "Shell" Transport and Trading Company, Public Limited Company

## Final dividend 1993

Notice is hereby given that a balance of the Register will be struck on 28th March, 1994 for the preparation of warrants for a Final dividend for the year 1993 of 13.6p per 25p Ordinary Share. If approved at the General Meeting to be held on 19th May, 1994 the dividend will be paid on 24th May, 1994.

For the dividend, their transfers must be lodged with the Company's Registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN9 6DA, not later than 3pm on 28th March, 1994.

## SHARE WARRANTS TO BEARER

The Coupon to be presented for the above dividend will be No.191 which must be deposited for examination at Lloyds Bank Registrars, Issues Section, Boks House, 80 Cheapside, London EC2V 6EE, at least five clear days before payment is required (the required date cannot be prior to the 24th May, 1994) or may be surrendered through Messieurs Lazard Frères et Cie, 121 boulevard Haussmann, 75008, Paris.

BY ORDER OF THE BOARD

Jyoti Munshi  
Secretary

Shell Centre,  
London SE1 7NA  
24th February, 1994

BRITISH GAS PLC  
1993 ANNUAL RESULTS

## Chairman's statement:

1993 was a challenging year for British Gas. The year long Monopolies and Mergers Commission Inquiry ended in July, and the Government's decisions were announced on 21 December. Throughout the year there was downward pressure on prices in the UK gas supply business due to the squeeze on margins in the tariff market and the effect of competition in the firm contract market. Competitors had gained a 73% share of that market by the end of 1993 compared with 49% a year earlier.

## Exploration and Production

The Exploration and Production business achieved strong profit growth during 1993, as a result of increased production at the South Morecambe gas field and first production from a number of new fields; notably Everest and Lomond in the North Sea and Bongkot in the Gulf of Thailand. Offsetting the benefits of higher production were UK Government royalties of £59 million on South Morecambe production, paid in 1993 for the first time, and closure costs of £22 million in respect of the Houston office in Texas. The sale of T-Block in the North Sea for £136 million was successfully completed in December.

## Consumers Gas

In November, the Company reached agreement to sell its shareholding in Consumers Gas and also associated businesses in Canada for approximately Cdn\$1 200 million. It is proceeding satisfactorily and it is expected that the sale will be completed in the first half of 1994.

## UK Gas Business

In December, the Company announced plans to restructure the UK Gas Business into five separate business streams. We are seizing this opportunity to reduce radically our cost of doing business, so that we can succeed in the more competitive gas markets of the future. Part of this restructuring will also meet the regulatory requirement for separation of the Transportation and Storage business from the Company's other businesses, with the concurrent establishment of information barriers. The restructuring will cost £1 650 million and will involve a significant reduction in manpower: approximately 23 000 people, substantially over the next three years. A restructuring of this magnitude will be painful for some, but we will do our best to be fair and generous to those who leave us and to create a rewarding and challenging opportunity for those who remain.

Looking to the future, the Government's decisions in December on the UK gas supply business have created the opportunity for a stable and predictable regulatory framework

for that business as it prepares to meet competition in the tariff market from 1996. Ofgas will shortly issue a consultative document outlining its proposals for that market, which will need to be established on a basis enabling British Gas to compete on equal terms with other companies. We also look forward to the removal of restrictions on the Company's ability to compete adequately in the firm contract market.

The decision announced by Ofgas on 27 January 1994 to ease the pricing formula in the tariff market from RPI-X to RPI-L from 1 April 1994 brings a welcome measure of relief. However, margins will remain under pressure in the future.

From October 1994, British Gas's newly established Transportation and Storage business will make available a pricing schedule to which all of its customers, including British Gas's own trading arm are placed on an equal footing. It is essential that these price schedules, which are subject to Ofgas's approval, provide an adequate financial reward which will enable British Gas to maintain a viable and safe pipeline system and encourage new investment in this important business.

## Future international direction

Our skills and experience as a fully integrated supplier in the gas industry are unique. We participate in the entire chain of activity from exploration and production, through transmission to power generation and distribution. We intend to continue exploiting these skills in our overseas activities, focusing more sharply on those high growth markets that offer us the potential of capitalising on the full range of our resources. Our position as the leading international gas company will provide us with the new opportunities for investment which will benefit our shareholders over time.

## Dividend

In 1994, the Company will continue to suffer downward pressure on profits in the UK gas supply business as margins are eroded further in the tariff sector and market share continues to be lost in other sectors. Certain regulatory issues still need to be resolved which will have a material impact on future profitability. In these circumstances, the Board has decided to maintain the dividend for the year in real terms by recommending an increase in the final dividend to 8.1p (1992 7.8p). The total for the year will increase in line with inflation to 14.7p compared with 14.2p for 1992.

R. V. Jordan  
Chairman

THE RESULTS AT A GLANCE				
	Year ended 31 December		Historical Cost	
	1993	1992	1993	1992
Turnover	10398	10394	10398	10394
Operating costs	(8013)	(8051)	(8013)	(8051)
Operating profit	2385	2343	2385	2343
Restructuring costs	(1682)	(168)	(1682)	(168)
Environmental costs	(28)	(128)	(28)	(128)
Operating profit after exceptional charges (see table below)	(910)	1103	1	1346
Loss on sale of exploration asset	(46)	-	(46)	-
Profit on sale of fixed assets	8	6	7	10
Profit/(loss) on ordinary activities before taxation and interest	(887)	1109	(88)	1356
Net interest and taxation	(282)	(270)	(287)	(311)
Share of profits less losses of associated undertakings	30	7	30	7
Profit/(loss) on ordinary activities after taxation	(913)	846	(88)	1054
Tax on profits/(loss) on ordinary activities	77	(271)	77	(271)
Profit/(loss) on ordinary activities after taxation and interest	(836)	575	(88)	783
Minority shareholders' interest	3	(2)	3	(2)
Profit/(loss) for the financial period	(833)	573	(88)	781
Earnings/(loss) per ordinary share-basic	(12.5p)	11.0p	(4.0p)	15.0p
Earnings per ordinary share-adjusted (a)	14.7p	17.0p	20.0p	21.0p
Dividend per ordinary share	14.5p	14.2p	14.5p	14.2p

THE RESULTS BEFORE THE EXCEPTIONAL RESTRUCTURING AND ENVIRONMENTAL CHARGES				
	Year ended 31 December		Historical Cost	
	1993	1992	1993	1992
Operating profit	2379	2343	2379	2343
Profit on ordinary activities before taxation and interest	1070	1109	2318	1374
Profit for the financial period	689	728	689	827
Earnings per ordinary share-adjusted (a)	15.1p	17.0p	20.0p	21.0p

(a) All figures shown are in respect of continuing operations.  
(b) Adjusted earnings per ordinary share have been calculated according to the accounting standards and environmental charges (1993) £100m, 1992 £20m and the associated taxation impact (£20m million, 1992 £20m million).

Copies of the 1993 Financial Statements and Full Year Results are available from British Gas plc, Company Secretary, Shell Centre, 24th February 1994, London SE1 7NA. Telephone 071 521 1144.

British Gas

A WORLD ENERGY COMPANY



## COMMODITIES AND AGRICULTURE

## Pechiney's cut lifts aluminium

By Kenneth Gillingham  
Mining Correspondent

Pechiney, Europe's biggest aluminium producer, yesterday joined the international aluminium cartel in pledging to cut world-wide output to bring the market back into better balance.

The French group will cut output by 13 per cent or 120,000 tonnes in 1994, starting in April - a move that will include the long-expected permanent closure of its smelter at Venhon in France.

Pechiney previously indicated that it would contribute to the global reduction in output but its cut was bigger than expected.

The three-month aluminium price, which had been languishing at \$1,300 a tonne in the London Metal Exchange, rose to \$1,314.50, up \$12.00, after the announcement.

Cuts announced so far by other producers total roughly 150,000 tonnes for a full year, according to Mr Angus MacMillan, Pechiney's manager at Billiton-Rothschilds, part of the Royal Dutch/Shell group. This will have little impact during the first half of 1994, he suggested, but would reduce production last year to about 10 million tonnes.

Mr MacMillan remained sceptical about the ability of the Russian government to persuade the republic's aluminium producers to make all the cuts promised by April and then another 300,000 in the next three months.

He said there was unlikely to be any substantial drop in aluminium output in 1993. But then it could be very strong and stocks, now at record levels, might fall quickly - if aluminium smelting capacity remained shut.

The aluminium industry welcomed Pechiney's announcement and suggested that it would enable the cartel to meet its target of 1.5 million tonnes of aluminium production in 1994.

The cartel previously had been criticised by Pechiney's managers because, like many others in the industry, they believed the French group was mainly responsible for persuading the European Commission to impose restrictions on aluminium imports from the former Soviet Union to European Union countries.

## Newmont claims that its gold 'bug' process is viable

By Kenneth Gillingham

Newmont Gold, the largest US gold producer, yesterday claimed that its patented process for recovering gold from very low grade refractory (or difficult) ore by using bacteria was commercially viable.

The company has been employing the process for several years, naturally-occurring "bugs", in its Nevada operations.

It would otherwise take millions of dollars to process the ore. Gencor of Africa uses similar bacteria for its gold bio-leaching process, increasingly employed worldwide, but Newmont's is different in that ore is piled in a huge heap rather than treated by liquid in tanks.

Newmont has already stockpiled at its mines on the Carlin Trend in Nevada material that would be waste if bio-leaching did not work.

Mr Peter Philip, president, said that it was now likely Newmont would be able to count the gold in the material towards its reserves by the end of the year. Lim ounces of it.

Costs would depend on each specific project but Mr Philip said that they would be roughly \$3.50 a tonne treated.

His company was in talks with American Barrick, its neighbour on the Carlin Trend, which has about 30m tonnes of low grade, refractory material containing 1m ounces of gold. If it proves commercially viable, the bio-leaching process on the Barrick material, the partners would share the capital costs and the profits.

Mr Philip said Newmont had identified other mines around the world where bio-leaching might be able to turn waste into ore and was looking for more joint ventures similar to the one contemplated with Barrick.

He said treatment of the Barrick material could begin on a commercial basis as early as next year. Newmont would not need to treat its own material until 1995.

Mr Philip hoped that before then Newmont's new process would have been superseded by a second process that could treat gold from low-grade, refractory ore that also contains carbon - a material which gold naturally attracts.

He said how the bacteria in their job, the precious metal still not released. Newmont's land in Nevada has great deal of the type of material containing an estimated 1m ounces of gold.

joint venture agreement for the El Abra project, which had been expected to raise an initial \$200m for the deposit requested by the Cyprus Amax/Lac Minerals consortium, which last year agreed to take a 51 per cent stake in El Abra, would be ready by the end of April, Mr Philip said.

## Codelco trader denies destroying documents relating to \$206m loss

By David Pilling in Santiago

The man at the centre of the futures scandal at Codelco, Chile's state-owned copper producer, has denied destroying documents relating to the loss of \$206m on metals futures operations.

"It's a single document that destroyed that had any bearing on the investigation," Mr Juan Pablo Davila, Codelco's chief financial officer, told journalists after eight hours of testimony before the parliamentary commission looking into the case.

Mr Davila, former chief futures trader at Codelco, has been accused by the company's acting president, Mr Jorge Riquelme, of destroying documents.

"If we had had these documents, we could have cleared up this case much more quickly," Mr Riquelme said.

Mr Davila's statement came after President Patricio Aylwin had on Wednesday received an interim report into the futures losses prepared by the controller general.

Details of the report are not known, but a spokesman for the controller said losses were found to be "somewhat higher" than the \$206m cited by Codelco executives. They could rise or fall depending on the handling of contracts that were still open, he said.

The report is also believed to point to a lack of controls over futures operations and to assign partial responsibility for such failures to executives outside the futures department.

Mr Rodriguez said that failure to implement controls - either deliberately or through negligence - was "very serious".

Meanwhile, Codelco executives moved to limit the damage over the delay in signing a joint venture agreement for the El Abra project, which had been expected to raise an initial \$200m for the deposit requested by the Cyprus Amax/Lac Minerals consortium, which last year agreed to take a 51 per cent stake in El Abra, would be ready by the end of April, Mr Philip said.

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## French prepare to meet challenge of post-Gatt farming

David Buchan on the structural inefficiencies that must be addressed to improve competitiveness

Few weeks of this year farmers were starting to invest in fertiliser, tractors and new buildings, reversing their cutbacks of 1992-93.

Mr Puchet's statement is, however, also a recognition that while France may lead Europe in sectors like cereals and sugar, and has made great strides in pork and poultry, its competitiveness is variable in milk production and often downright bad in beef and sheepmeat.

"Up to now France has been more interested in markets and prices, rather than costs and charges," explains a senior aide to Mr Puchet. "With the common agricultural policy and Gatt decisions on markets and prices, we are for the first time taking a serious look at how to reduce our costs and charges."

Among the structural inefficiencies in French farming pinpointed by both the ministry and the main farming union, the FNSEA, are:

- A fiscal system that taxes farm sales as well as farm incomes, and a land tax that bears disproportionately on farmers raising relatively small numbers of cattle or sheep on relatively large tracts of poor land.

There is also a persistent social security problem. Most of the government's special FFR30m (\$245m) aid last year was to help older farmers, or their widows, to catch up on their social security arrears. "We still need several billion more francs here," says the FNSEA.

Grain co-operatives tended to dot the landscape with minuscule, while the evidence is that many farmers would now prefer to make the longer haul with their harvest to a central silo if that would give them a better price or more efficient

and rapid marketing. Likewise in livestock, farmers have relied on co-operatives to take their animals to market for them, while now many would prefer to save on this and take their animals directly to auction.

• The absence of a corporate structure to most farms. This is most sharply felt when it comes to inheritance - French law requires that all estates be equally divided among children.

## MARKET REPORT

## Copper price boosted

The three months COPPER price ran up to \$1,900 a tonne level by the end of after hours trading at the London Metal Exchange, a \$20 gain from Wednesday, helped by aluminium's strength and solid support below \$1,880 a tonne earlier in the session.

At the London bullion market GOLD closed at 35 cents down at \$378.10 a troy ounce.

after the New York market had weathered a fall by bank selling.

PLATINUM was fixed in the afternoon at \$388.50 an ounce, down \$2.50 on the day and \$9.50 on the week so far, as perception of the need to cover against possible South African mine disruptions in the lead-up to the April elections subsided. Compiled from Reuters

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## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from International Metal Trading)

## ALUMINIUM (\$ per tonne)

	Close	High	Low	Open
1200-0	1282-0	1314-0		
Previous	1270-0			
High/Low	1282-0	1314-0		
AM Official	1281-0	1305-0		
Kerb close	1281-0	1314-0		
Open int.	278,650			
Total daily turnover	35,080			

## ALUMINIUM ALLOY (\$ per tonne)

	Close	High	Low	Open
1100-0	1100-0	1170-0		
Previous	1100-0	1170-0		
High/Low	1100-0	1170-0		
AM Official	1144-0	1170-0		
Kerb close	1144-0	1170-0		
Open int.	3,880			
Total daily turnover	300			

## LEAD (\$ per tonne)

	Close	High	Low	Open
480-0	480-0	482-0		
Previous	480-0	482-0		
High/Low	480-0	482-0		
AM Official	472-0	482-0		
Kerb close	472-0	482-0		
Open int.	36,210			
Total daily turnover	6,574			

## NICKEL (\$ per tonne)

	Close	High	Low	Open
5800-0	5800-0	5800-0		
Previous	5800-0	5800-0		
High/Low	5800-0	5800-0		
AM Official	5800-0	5800-0		
Kerb close	5800-0	5800-0		
Open int.	51,112			
Total daily turnover	14,749			

## ZINC (\$ per tonne)

	Close	High	Low	Open
5475-0	5475-0	5495-0		
Previous	5475-0	5495-0		
High/Low	5475-0	5495-0		
AM Official	5450-0	5495-0		
Kerb close	5450-0	5495-0		
Open int.	20,050			
Total daily turnover	8,896			

## ZINC special high grade (\$ per tonne)

	Close	High	Low	Open
5975-0	5975-0	5975-0		
Previous	5975-0	5975-0		
High/Low	5975-0	5975-0		
AM Official	5975-0	5975-0		
Kerb close	5975-0	5975-0		
Open int.	107,530			
Total daily turnover	1,000			

## COPPER, grade 1 (\$ per tonne)

	Close	High	Low	Open
1655-0	1655-0	1681-0		
Previous	1655-0	1681-0		
High/Low	1655-0	1681-0		
AM Official	1664	1680/1672		
Kerb close	1654-5	1680-0		
Open int.	247,874			
Total daily turnover	35,080			

## LME Closing US rate: 1470

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## PRECIOUS METALS continued

## GOLD COMEX (100 Troy oz; \$ per oz)

	Close	High	Low	Open
378-10	378-10	378-10		
Previous	378-10	378-10		
High/Low	378-10	378-10		
AM Official	378-10	378-10		
Kerb close	378-10	378-10		
Open int.	14,384	14,384		
Total daily turnover	14,384	14,384		

## PLATINUM NYMEX (50 Troy oz; \$ per oz)

	Close	High	Low	Open
388-50	388-50	388-50		
Previous	388-50	388-50		
High/Low	388-50	388-50		
AM Official	388-50	388-50		
Kerb close	388-50	388-50		
Open int.	1,110	1,110		
Total daily turnover	1,110	1,110		

## PALLADIUM NYMEX (100 Troy oz; \$ per oz)

	Close	High	Low	Open
1340-00	1340-00	1340-00		
Previous	1340-00	1340-00		
High/Low	1340-00	1340-00		
AM Official	1340-00	1340-00		
Kerb close	1340-00	1340-00		
Open int.	1,110	1,110		
Total daily turnover	1,110	1,110		

## SILVER COMEX (100 Troy oz; \$ per oz)

	Close	High	Low	Open
172-00	172-00	172-00		
Previous	172-00	172-00		
High/Low	172-00	172-00		
AM Official	172-00	172-00		
Kerb close	172-00	172-00		
Open int.	1,110	1,110		
Total daily turnover	1,110	1,110		

## CRUDE OIL NYMEX (42,000 US gal; \$ per barrel)

	Close	High	Low	Open
18-10	18-10	18-10		
Previous	18-10	18-10		
High/Low	18-10	18-10		
AM Official	18-10	18-10		
Kerb close	18-10	18-10		
Open int.	1,110	1,110		
Total daily turnover	1,110	1,110		

## CRUDE OIL ICE (Shanghai)

	Close	High	Low	Open
18-10	18-10	18-10		
Previous	18-10	18-10		
High/Low	18-10	18-10		
AM Official	18-10	18-10		
Kerb close	18-10	18-10		
Open int.	1,110	1,110		
Total daily turnover	1,110	1,110		

## HEATING OIL NYMEX (42,000 US gal; \$ per barrel)

	Close	High	Low	Open
18-10	18-10	18-10		
Previous	18-10	18-10		
High/Low	18-10	18-10		
AM Official	18-10	18-10		
Kerb close	18-10	18-10		
Open int.	1,110	1,110		
Total daily turnover	1,110	1,110		

## CRUDE OIL ICE (Shanghai)

	Close	High	Low	Open
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## KUWAIT

Friday February 25 1994

Stock exchange that stands grand and idle behind a black marble facade PAGE II

Oil industry rises from the ashes of the biggest fires the world has seen PAGE V

Three years after the end of the Iraqi occupation, Kuwait has made great strides on the road to recovery. It enjoys greater security, oil is flowing, and politics are thriving. But it has underlying problems which have yet to be addressed, says Mark Nicholson

## An anxious reawakening

Kuwait is rebuilt. Its industry, the fountain of its wealth, is restored to pre-Gulf war vigour.

Political life resumed and is thriving in the polished halls of the most powerful elected assembly in Kuwait's history and, indeed, anywhere in the Gulf. The state's defence is underwritten by pacts with the Gulf war allies which liberated Kuwait from seven months of Iraqi occupation three years ago almost to the day. All should be well.

But it is not. Rather than dwelling on the accomplishments of reconstruction Kuwaitis are instead looking ahead, and with profound uncertainty. The Iraqi occupation has left an economic and political legacy which Kuwaitis are beginning to address only now that the basic tasks of rebuilding are complete.

Two factors above all have conspired to raise troubling questions about the future. The first is the sheer financial cost of the war, which rudely tugged away the previously deep cushion of wealth which allowed Kuwaitis to enjoy one of the world's most generous welfare states.

Kuwait's greater dependence on oil revenues since the occupation ravaged the non-oil sector, and the prospects of low crude prices for the foreseeable future, have sharpened questions of how - indeed whether

Kuwaitis can continue enjoying the panoply of cradle-to-grave benefits most have come to regard as a birthright.

The political war are more complex, but strike at the heart of how Kuwait will manage a transition to life in reduced circumstances. Popular demands for greater democracy in Kuwait, which Sheikh Jaber al-Sabah, the emir, was forced to meet in 1992, resulted in the election in 1992 of an opposition-dominated National Assembly, the first to be elected since the emir dissolved the previous assembly in 1966.

The new parliament has ever since been diligently nibbling away at the ruling al-Sabah family's governing power. But the resultant tug-of-war between a parliament proving itself indispensable in the proper governance of Kuwait and a ruling family reluctant to cede too much of its historical authority has led to a crisis of leadership. Kuwait's uncomfortable dilemma is that this crisis threatens to create a political impasse just when economic problems are demanding tough, immediate decisions.

Away from this continuing political tussle and the uncertainties it has provoked, however, Kuwait can point to some considerable and concrete post-



Kuwaiti father and children: the swift recovery has generated high hopes, laced with fear that they could be suddenly punctured

war gains. For example, although its \$11.7bn rearmament programme is unlikely to make Kuwait much more defensible than it proved in 1990, defence pacts with the US, Britain, France and Russia have provided a far more overt and less ambiguous security framework than existed before the war.

On the domestic economic front, Kuwait's commanding institutions have weathered grave crises and emerged arguably more strongly and accountably managed. In the oil sector, for instance, Kuwait has not only been able rapidly to resume pre-war output of more than 2m barrels a day, but has stubbornly battled back to what it regards as its rightful oil allocation and post-

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the former oil and finance minister facing charges of embezzlement from the state-owned Kuwait Oil Tanker Company.

Parliament is, says Mr Jassim al-Saddoun, an economic adviser to the assembly, now "supervising the government in every sector". He and others in the assembly are confident other victories lie ahead - like having the government reveal defence spending on its published budget for the first time, where it can then be debated, and perhaps even cut.

But just such creeping parliamentary power, particularly in economic affairs, is contributing to Kuwait's present uncertainty. The Kuwaiti exchange, drained by post-war spending of perhaps \$100bn, facing possibly prolonged weakness in oil prices and in the next two years saddled additionally with annual repayments exceeding \$2.7bn on post-war borrowing, is felt by the finance ministry, the central bank and the KIA to be under unsustainable pressure. Each has been issuing recent statements to the effect that government spending has to be cut, revenues raised, or both. "We have no alternative," says Mr al-Badr.

Such talk of boundless post-war Kuwaiti wealth have been unthinkable. The difficulty is that the previously unthinkable may also prove unpassable. The Kuwaiti Assembly has already shown strong resistance to any suggestions of foreign investment in the banking sector, raising the spectre of "neocolonialism". And few observers, in parliament and outside, think popularity-conscious MPs would readily endorse measures which might affect public sector salaries (86 per cent of employed Kuwaitis work for the government), or raise the prices of power or water.

The prospect of a government-parliament impasse is a source of deep frustration among many Kuwaitis - particularly among merchant and business leaders who argue they can make few commercial decisions until there is a firm determination of economic policy. At present, says Mr al-Saddoun, "there is no economic policy whatsoever".

But political leadership is in short supply. Parliament is so far largely incapable of creating policy, lacking either the resources or expertise. Moreover, it regards its role, for the present at least, essentially as a watchdog.

Government itself, led by Sheikh Saad al-Sabah, the crown prince and prime minister, has in the view of a growing number of Kuwaitis proved itself capable only of paralysing attempts at consensus-building.

As Mr Abdullah al-Nabari, an opposition MP, puts it: "All of Kuwait's savings will have to dry up before we face the problem. It will take that."

### IN THIS SURVEY

□ Economy: a country used only to the good life is urged to tighten its belt

□ Stock exchange: dominated by local banks, the stock market remains in the doldrums... PAGE II

□ Debt mountain: legacy of a stock exchange "casino"

□ Banking: national assembly prepares to cut banks... PAGE III

□ Oil policy: the state oil company puts cooperation before nationalism

□ Offset factor: how arms purchases are used to win inward investment... PAGE IV

□ Oilfields reborn: one of the world's richest oilfields is close to its pre-war level

□ Refineries repaired: the upstream facilities that boost Kuwait's revenue are being rescued from the effects of sabotage and the accidents of war... PAGE V

□ Controlling the KIC: how investment guidelines laid down 35 years ago are helping to ensure Kuwait's financial future... PAGE VI

□ PHOTOGRAPHS: GUSTAVO FERRARI

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## KUWAIT II

Mark Nicholson examines the reactions to spending cuts in a welfare super-state

## The unfamiliar taste of austerity

Some unfamiliar calls - in Kuwait at least - recently emanating from the finance ministry and central bank. They are calls for sacrifice, belt-tightening, austerity, and they are being couched in uncommonly pointed terms.

Mr. al-Rodhan, the finance minister, last month spoke of reform measures requiring "sacrifice on all levels" and the "urgent need" to undertake "structural changes to government spending." He suggested Kuwait should look to cut spending in the 1994 budget by 10 per cent.

Sheikh Salem al-Sabah, the governor of the central bank, amplified such thoughts. "I'll be after more than a 10 per cent cut in spending," he said. "The problem is the structural changes in the budget."

What is unfamiliar about such calls is, first, that it is being issued by the state. This is a result of the fact that world oil prices, the main legacy of the Gulf war and reconstruction after it, the impending repayment of Kuwait's foreign debt, the huge purchases and towering interest charges on the government's accounts have combined to put an extraordinary squeeze on state coffers.

It is also new for the government to issue such signals so publicly. It is doing so because it is preparing the ground for what is likely to become the most contentious and difficult budget debate in Kuwait's history.

In April, when spending cuts and revenue increases are expected to be included in Kuwait's 1994-1995 budget proposals, they will have to be approved by the opposition-dominated National Assembly. The government, with some justice, that Kuwait's newly empowered MPs will need a good deal of softening up before they can be



The Emir of Kuwait, when the featherbedding had to stop

convinced to make changes which, for the first time in Kuwait's recent history, will promise an overall erosion of the state's plethora of subsidies.

The call for more belt-tightening is pressing. Kuwait's official budget - which omits defence spending, debt repayments and reconstruction income - for 1993 envisaged a 10 per cent deficit. This is already off track.

According to Mr al-Rodhan, the budget deficit already stood at 67 per cent of the projected total for the June-July financial year at midpoint in January. Moreover, the initial budget estimates were based on projected oil revenues, comprising 80 per cent of total government income, and assumed output of 1.75m barrels a day in the second half of the year.

But it is also new for the government to issue such signals so publicly. It is doing so because it is preparing the ground for what is likely to become the most contentious and difficult budget debate in Kuwait's history.

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just under \$100bn were slashed to between \$35bn-\$40bn in pay for the Gulf war. The world's buoyant equity markets in the past year are understood to have given KIA a return of at least 20 per cent on these holdings for 1993.

But the real problems lie in the next two to three years. In 1995 the government is due to start the first principal repayment on the \$5.5bn jumbo loan it took out on international markets to tide it through its immediate post-war needs.

This will immediately add commitments of at least \$1.5bn in 1995 and 1996, commitments which, says Sheikh Salem, Kuwait will certainly not meet. Kuwait cannot rely on oil prices - particularly with the prospect of an eventual return of Iraq oil on the horizon - or continued high oil prices in world equities, the government has little choice but to tighten control of spending and revenues at home.

Government officials are understood to be studying what measures can be

taken. Nothing definitive has yet been tabled. But the finance ministry and central bank are making it known that the government wage bill, which accounts alone for 52 per cent of total spending, is under review, as are the quite enormous subsidies on power and water. Defence spending, which to date has been kept firmly off budget, might also be hauled in for reconsideration. Only the latter is likely to win much sympathy from the National Assembly.

But while the government

The public sector is unlikely to grow for the next two or three years

wrestles to control its own financial problems, it is forced to consider the issue of Kuwait's dependent private sector - which historically has depended almost entirely on government spending to sustain it. According to Sheikh Salem, Kuwait's non-oil economy has shrunk by 20 per cent since before the Gulf war.

The causes of this shrinkage are manifold. They include the effects of war damage, the decline in domestic markets as a result of Kuwait's policy of reducing its population, the banks' reluctance to commit credit to businessmen until Kuwait's "difficult debt" programme is definitively resolved, and perhaps as much as anything, a crippling lack of confidence among Kuwaiti investors themselves.

The private sector will be hard for the government to revive, since there is little prospect that Kuwait's economy will be capable of absorbing the additional 5,000-6,000 Kuwaitis who are the labour force every year. The bloated public sector, which already employs 56 per cent of all employed Kuwaiti nationals, is not set to grow in the next two to three years, whatever the oil price does, and cannot conceivably absorb efficiently the new cohorts of young Kuwaitis.

Faced with a lack of initiative from domestic investors, the government has therefore turned to foreign investment



Kuwaiti armoured units face Iraq; defence spending will keep rising

as a potential palliative, and is entertaining with increasing seriousness the prospect of privatisation.

The government's offset programme (discussed on page IV of this survey) has already won hundreds of millions of dollars of foreign investment commitments, though as yet few firm projects. The government is also cautiously discussing the possibility of inviting foreign investment in the banking sector and small parts of the oil and petrochemical industries.

But Kuwait's attitude

towards foreign investment - it is a highly emotive topic among parliamentarians - places it at a disadvantage in the Gulf where places such as Dubai, Bahrain and Saudi Arabia have long since introduced packages of incentives for foreign investors including free zones, tax breaks and subsidised finance. Tax on foreign companies in Kuwait, as an instance of comparison, presently stands at a highly discouraging 55 per cent.

A programme of privatisation is also being considered,

within the framework of a lengthy World Bank study which concluded that Kuwait has little choice but to divest itself of state holdings if it is to create an environment of economic growth, let alone get its own financial house in order.

Early steps are being taken. At the end of this year, the pioneering telecommunications ministry expects to place in a position to float 51 per cent of the telephone system in a public offering. The KIA is studying the divestment of its holdings in more than 100 Kuwaiti companies, most of them picked up during the 1990 stock market crash.

But it is early days for the privatisation programme and a considerable amount of preparation is required before local or foreign investors are likely to bite. And all such preparation is liable to provoke political opposition. Aspects of public utilities - aspects of the health services would require a change in service delivery which would meet opposition. Privatisation itself would certainly require a change in what are presently cosseted public sector areas.

Understand, with such prospective political battles ahead, that the government is sounding shriller about Kuwait's economic straits.

The Kuwait stock exchange has its limits, says Robin Allen

## An investment backwater

In the past year, according to official figures, the daily average volume of share transactions on the 47 companies listed on the Kuwait stock exchange was 13m-14m with an average daily value of \$11m. In terms of both value and volume, these figures represent a decline recorded in 1993, the last full year before the Iraqi invasion of August 1990.

Here is the bad news: in 1989 the Kuwaiti stock market was almost moribund, moving barely one per cent. The government owned more than 50 per cent of all the listed shares. Today, through the Kuwait Investment Authority and other agencies, it owns, according to Mr Hilal al-Mutairi, director-general of the Kuwait Chamber of Commerce and Industry, over 40 per cent of the total market capitalisation of some \$11.5bn. KIA alone owns 20-25 per cent of the market, according to its managing director, Mr Ali al-Bader.

If the government tried to get rid of its shares in the private sector given the general levels of turnover, it would take many years if the market was not to collapse, according to one

programme and deregulating the economy.

"I feel as though we are sailing on a sea without a compass," said the industrialist. "The government has no plan to set up new committees. We are left with all these committees."

But there were also a good many "There are plenty of good Kuwaitis, intelligent and hard-working, who know what needs to be done, but who are forced to wait for a government which can't supply itself. Privatisation cannot be applied by hand. I have never seen a third-world country which owns a government employee willing to leave the office as someone else's behalf."

The private sector possibly had more than \$80bn worth, perhaps half that of Kuwaiti firms, a businessman with 17 years experience in Kuwait suggested. "But for what

would the private sector repatriate its funds? Only for the opportunity to make more money at home."

There is only one listed company, Mobile Telephone Systems Co., 49 per cent of which is owned by the public, whose shares are actively traded - 1.2 per cent of volume and 13 per cent of value in the first week of February - which is likely to attract the attention of investors.

So far it fulfils all three criteria for a successful public issue. These are, suggested Mr al-Mutairi, timing; state of the market and profitability of the company; and quality of management advising the privatisation programme. But the most important element is the government's political will. In the case of Mobile Telephone Systems Co, it appears to be present.

By contrast, Kuwait Airways Corporation, another candidate for privatisation singled out by a government-

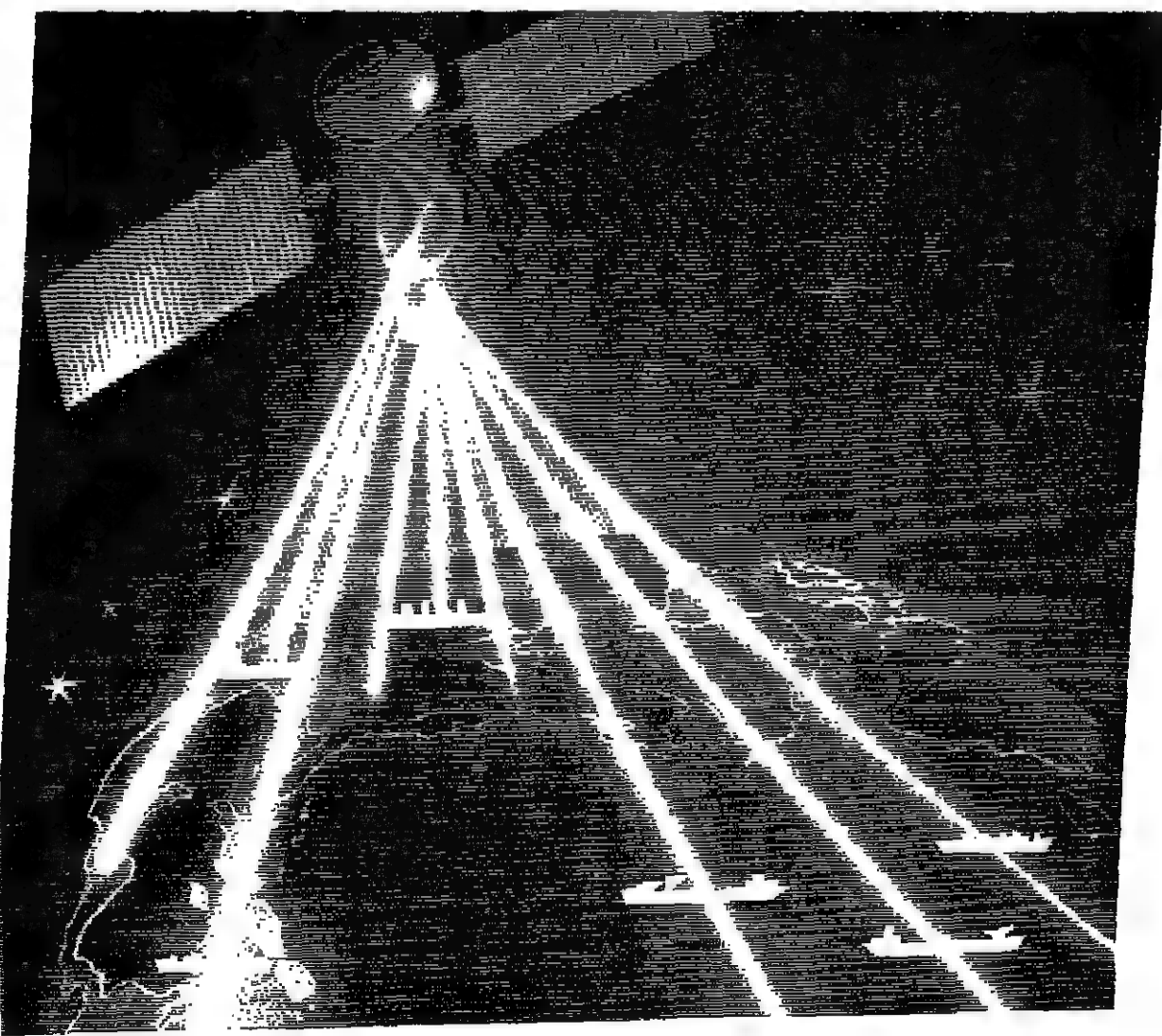
appointed committee which this month made recommendations to the finance ministry, does not fulfil at least one of the three basic criteria. On top of which one businessman said: "I doubt whether any airline in the region is genuinely profitable in a full commercial sense."

But the government may be forced to privatise at moments not of its own choosing. Keeping nationals in government jobs has simply become too expensive.

It takes more than 10 per cent of the annual national income - and some 10 per cent of gross domestic product according to the Central Bank governor Sheikh Salem al-Sabah - to pay public sector wages and salaries in Kuwait, 50 per cent of whom work for the government. Moreover, 6,000-7,000 nationals join the labour force every year.

But the government's inertia is not the only problem. The national assembly is suspicious of any shake-up which might attract non-Kuwaitis at the expense of nationals.

In the meantime, the stock exchange stands idle, grand and empty behind its black marble facade, waiting for serious business.



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TELEX	49789	23270	8040	4416	901301	93254	452284	22018	5220	915184	22446	192542002
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Total assets	KD	1,249,944,000	an increase of 11 %
Cash Dividend	%	7 %	an increase of 40 %
Bonus Issue	%	10 %	an increase of 25 %

The Gulf Bank K.S.C. continues to improve its profitability. 1993 net profit was KD 18,226,000, an increase of 22 % over 1992.

Total assets increased by 7 % to KD 1,249.9 million. Loans and advances increased by 47%, and customer deposits increased by 8 %, both reflecting positive growth in market share. Liquidity continues to be strong and the Bank's capital adequacy ratio is well in excess of the minimum requirement of the Bank for International Settlements.

The Board of The Gulf Bank K.S.C. is pleased to announce that it will be recommended to the shareholders' Annual General Meeting to distribute a cash dividend of 7 % of the Bank's capital (7 fils per each share) and a bonus issue of 10% (10 shares per each 100 shares) for shareholders of record as at the close of business on 31.12.1993.

These recommendations and the financial statements are subject to the approval of the Annual General Meeting and the competent authorities.

Mr. Al Hilal Al Mutairi, Chairman, was quoted as saying that the Board of Directors was extremely pleased with the results and was looking forward to continuing improvement in 1994.



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## KUWAIT III

Robin Allen describes the disastrous legacy of six years of gambling on an unlicensed stock exchange

## The strange tale of Souk al-Manakh

The government's credibility is at stake over setting the debts incurred by investors in an unregulated spree from 1976 to 1982.

The next real test in what is known as the Difficult Debts Settlement Programme will come after March 31.

The "difficult debts" were incurred by "investors" on the unofficial - and officially illegal - stock exchange which was housed on two floors at the bottom of a multi-storey car-park called the Souk al-Manakh. There, for six years from 1976, the temptation to gamble through a system of post-dated cheques in Kuwaiti and Gulf off-shore companies which could not get a listing on the official market, proved too strong for thousands of Kuwaitis.

Other Gulf nationals, particularly in Bahrain and the UAE, were also ensnared by the evergreen market, until it all burst in August 1982, when a few sceptics unsportingly cashed in their cheques and caused the whole paper structure to crumble overnight. The amount amounted to KD27bn (\$92bn). In his anguished tally that followed, many of the cheques cancelled each other out, leaving a net indebtedness of some KD7bn (\$23.5bn).

But the underlying credibility problem for the government reverts to 1976 after the government of the day had dissolved the national assembly. In the aftermath of dissolution, and in an attempt to divert public indignation, the government turned a blind eye to the early beginnings of the Souk al-Manakh.

It then created an unfortunate precedent when, a year later, it paid out KD15bn (more than \$500m) to people who had lost money in the mini-depre-

sion of that year. This single act instilled in a generation of Kuwaitis the notion that if they got into financial difficulties, the government would help them. Over the years this notion developed into a conviction that, in times of private sector difficulties, the government had a duty to step in and bail them out.

Among the thousands of Kuwaitis who suffered were several members of the ruling Al-Sabah family from the prime minister downwards. This factor too, now has serious implications for the government's credibility.

A few debtors from the 1982 crash started to settle their debts in 1986. The previous year the national assembly had been dissolved again, not least because it had forced the resignation of the then justice minister, a member of the Al-Sabah family, for his role in the Souk al-Manakh disaster.

After dissolution the government stepped in, through the Central Bank, to initiate what is now known as Difficult Debts Settlement Programme 1 (DDSP1). Under this scheme, debtors were offered a 12-year pay-off period. If, as many say, this is largely a red-herring now, it is still a fact that big debtors today are using the terms of DDSP1 as a rationale for dragging their feet.

In July 1989, three months before the October elections by which today's national assembly came into being, the government issued Law No. 1, by which it bought out KD5.9bn (\$19.7bn) of personal and corpo-

rate debt from the private sector in return for debt bonds to the commercial banks. The law took effect from August 1992.

The banks took advantage of this to unload all their unwanted loan assets, most of which was money lent to clients for the Souk al-Manakh. Some of the indebtedness, for example a KD400m real estate portfolio on the books of Kuwait Finance House which

The full list of debtors and what they owe has never been published

the KFH has to repurchase within 10 years, were depreciated investments; and some were personal borrowings incurred during the Iraqi occupation of Kuwait. But according to the central bank governor Sheikh Salem al-Sabah, some KD6.1bn (\$17bn) reverted to the Souk al-Manakh.

There are now, according to Sheikh Salem, a total of 9.5bn (\$26.5bn) under the present settlement programme. Of these 1.146 are liable for more than 50 per cent, or 1.146, of the total \$11bn. Many bought property or liquid investments at the country, on credit, at

the height of the Souk al-Manakh boom, and are now reluctant to disclose these assets. They are even more unwilling to repatriate them to pay their debts.

The other 88 per cent of the debtors, who number just over 8,400, are the so-called "small debtors", most of whom owe KD500,000 (\$1.7m) or less.

Not all debtors are individuals. Some are companies and some of these are owned by the state. The full list of individuals and the companies has never been published.

The settlement programme now operating is based on Law 41 of 1993, passed by the national assembly on August 31. It sets out one of two options by which they can

repay cash payments or a rescheduling over a 12-year period at equal annual instalments. It is still generally hoped that the vast proportion of small debtors will choose the first option. This would greatly simplify collection of the other 90 per cent of the total outstanding from the major debtors.

The deadline for debtors to decide on their preferred option and to complete the necessary documentation is March 31, 1994. The country's six commercial banks have been put in charge of managing the programme under the overall supervision of the Industrial Bank of Kuwait. The banks will also be held responsible if there are deficiencies in the mechanics of debt-collection.

By March 31 each debtor should have collected all the necessary documentation from the bank of his choice, have had the documents authenticated and notarised by the ministry of justice or a notary public, and have returned these to the bank. The penalty for not complying is exclusion from the settlement programme, and the debtor would then be told - by the court in theory - to pay in full plus interest, as from August 1, 1980, the day before the Iraqi invasion.

According to Sheikh Salem, the banks in their capacity as collecting agents are by law obliged to send the names of delinquent debtors to the justice ministry. It is left to the courts, with the executive authority of the cabinet, to implement the law, which, according to Sheikh Salem, will be enforced regardless of the position or the identity of the individual. "If the banks do not implement their part, they

will be punished," he said.

There is, however, no clearly defined legal entity to oversee the application of the law. The national assembly which passed the law, is not an administrative body, and in any case, as one Kuwaiti remarked, "is hardly a disinterested group". The Central bank is barred from administering the law, so by default the banks have to do it.

The arithmetic of the settlement programme is not

if the biggest debtors fail to settle, the political fall-out will be damaging

ment programme is not enough - and generous in the extreme to those who choose the cash option.

Under this first option, debtors get a partial write-off followed by repayment of the balance over two years starting, according to Sheikh Salem, from September 7, 1993 - one day after the law came into effect. The initial write-off depends on the size of the debt. As the size of the debt increases the scale of the write-off goes down.

The balance must be paid within two years from September 6, 1993, when the law came

into effect. Those who settle their debt in full by the end of the second quarter of this year will receive an extra 4 per cent discount. This bonus rate decreases by 0.5 per cent for each successive quarter. To get the full 4 per cent a debtor needs to have been paid in full by December 6, 1993; the second quarter ends on March 6, 1994, and so on.

Under the second option - to repay on equal annual instalments over 12 years - an 8 per cent discount on the amount is allowed for early repayment. The annual instalments are fixed by the Central Bank on the basis of the outstanding amount with no interest charged.

Sheikh Salem said the total amount to have been repaid up to January 20 this year by debtors was KD11.7bn, which allowing for the applicable discounts, accounted for KD3.7bn, or 3.6 per cent, of the total debt outstanding.

Accountants say there are still many uncertainties in the financial analysis of the choices, but these only concern the exact timing of the instalments under the 12-year option.

More confusion is the result of

men. They have reservations which reflect the general low esteem in which the government is held. Some debtors, the larger ones or their representatives, are pressing for easier terms. They think that large assets sales to refund their debts will trigger a collapse in values, on the stock exchange for example. They insist that although the government claims to be offering two options, in reality there is only one. The second option, they claim, is punitive, because the repayment period is too short. It should be 20 years, not 12.

They are supported by those who maintain the first settlement programme, initiated in 1986 with a proposed 15-year pay-back period, is still valid; and that was the trauma of Iraqi occupation and the extra indebtedness incurred as a result.

Many of those now objecting probably do not intend to pay or do not believe the government can force them to pay - or simply reckon that the government will buckle under pressure and ask the national assembly to change the law.

The official position is that the government will neither revise nor review the bad debts law. In reality, the government is holding its breath.

If the biggest debtors set an example and climb on to the settlement bandwagon, much of the government's credibility will be restored. If not, then the fall-out will be damaging politically as well as financially.

## BANKS

## Over-protected species

One of the more archaic laws in Kuwait's commercial code is a three-year suspension of trading in shares of any company, including banks, that wants to merge while listed on Kuwait's stock exchange, writes ROBIN ALLEN.

To be fair, this law and a separate one which specifically bars banks from merging - is due to be repealed. According to Mr Ismail al-Shatti, the head of the national assembly's finance committee, the bills have passed the committee stage.

Merging, in Kuwait's over-banked stock market, is possibly the only way for the weaker members of the banking community to regenerate themselves. That was the thrust of the message delivered at a seminar last November by Mr Youssef al-Awad, general manager of the London-based Kuwait Investment Office.

"The time has come for some of the banks' shareholders and management to forego short-term self-interest and focus on the long-term corporate survival of their organisations." The only way to cut costs was to get rid of redundant employees and branches, he said.

His argument has widespread support. The biggest problem confronting the banks' domestic sector is now a simple lack of opportunities rather than the Souk al-Manakh debt burden of previous years. This was eased with the government's purchase in August 1992 of almost \$200m worth of private sector indebtedness in return for debt bonds.

The case for having fewer banks is unassailable. The domestic market is flat with leading opportunities confined to some trade financing, guarantees and working capital. Central Bank figures for last October show that the total assets of the nine commercial and specialised banks was down from the previous year, at KD8.5bn (\$28.5bn) compared with KD8.9bn at the end of October 1992. The only growth prospect is consumer finance among Kuwait's 1.6m population. Here it is very competitive, with two banks, National Bank of Kuwait and Gulf Bank, leading the pack.

The six commercial banks are of widely varying quality in what is often seen as a three or four-tiered banking system. National Bank of Kuwait is in a league of its own in terms of strength of capital and reserves, and a quality management allowed to get on with the job by a hands-off board and shareholders who have put in place a coherent strategy for the man-

agement to target. It is the only Kuwaiti bank of real international calibre, retaining the largest international presence and holding more than 40 per cent of all Kuwait's bank deposits.

In 1993 results further strengthened its lead. Net profits were up 22 per cent to KD52m (\$151m), almost three times the level of its nearest rival, Gulf Bank. NBK's total assets were up 23.4 per cent at KD8.3bn, and the bank maintained a capital to risks ratio of more than 20 per cent.

The second tier would consist of Gulf Bank - and some would say Burgan Bank as well, though Cyprus-based analyst Capital Intelligence says that "while NBK is in a class of its own, Gulf Bank is better positioned for success than any of its peers". Burgan Bank is more of a state-owned institution with the government owning a majority of the shares.

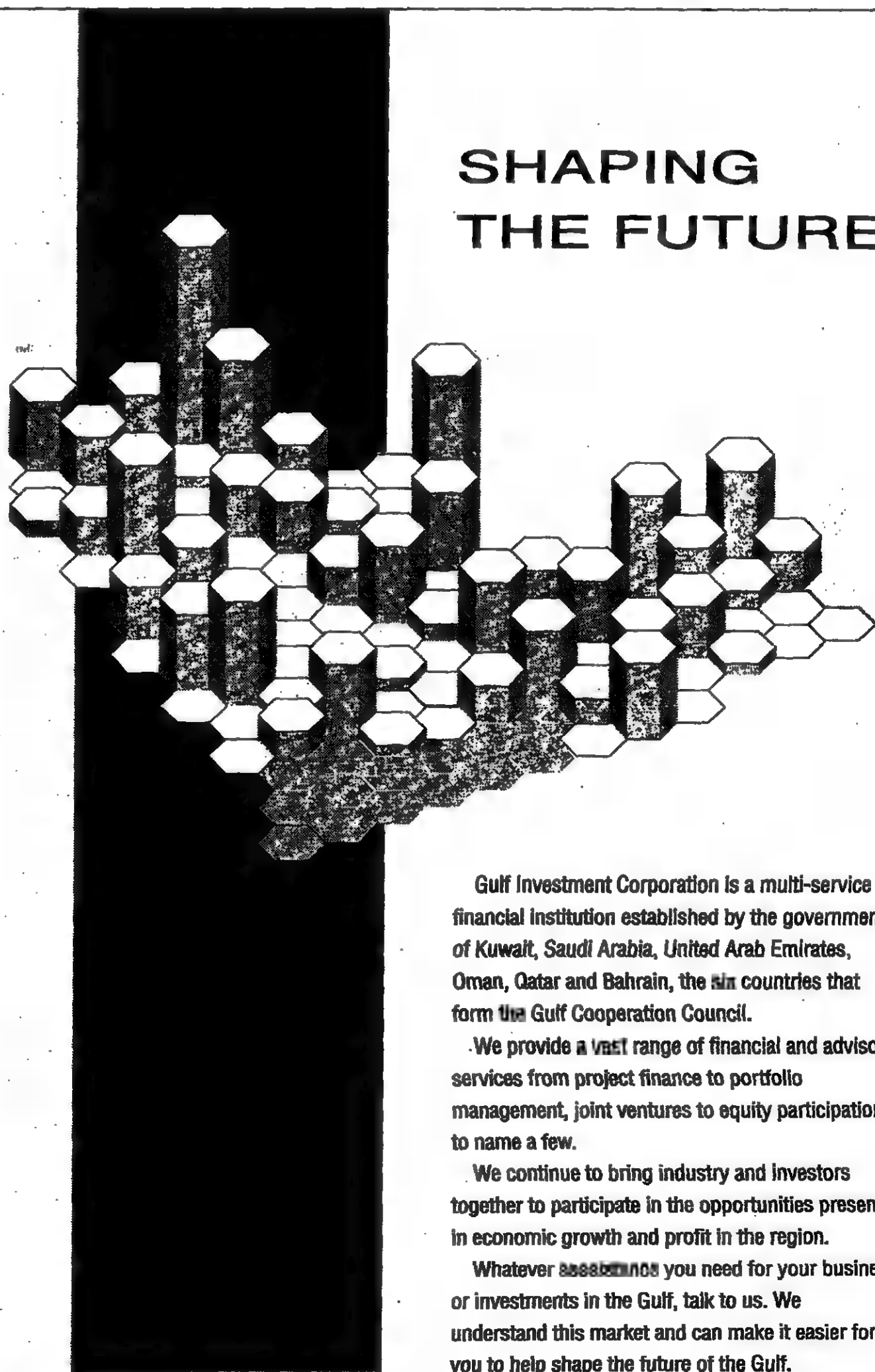
Capital Intelligence last summer raised Gulf Bank's long-term rating from BBB+ to A on the strength of its 1992 results. The 1993 figures released on February 9 have vindicated CI's assessment. Gulf Bank increased 1993 profits by 23 per cent to KD18.2m (\$51.1m) compared with the previous year. Total assets rose up 11 per cent to KD1.35bn (\$4.2bn), of which some half was in government debt, bonds, cash, short-term funds and treasury bills 30 per cent; loans and advances just under 20 per cent. These last were up 47 per cent to KD2.37m, mostly from international lending. Any increase in domestic lending was at the expense of the other four commercial banks.

The three banks most frequently mentioned as "merger candidates" are Al-Ahli Bank of Kuwait and the Middle East, and Commercial Bank of Kuwait. Although the government is a majority shareholder of both Burgan and BKME, the central bank governor Sheikh Salem al-Sabah made clear in a February 9 interview that he would not force banks to merge. Any decision of this nature, he said, would have to be taken by their boards.

The prospect of finding a foreign partner is remote. Foreign banks are unlikely to put their feet into Kuwait's stagnant waters even if a proposal to let foreign companies acquire up to 40 per cent of Kuwaiti companies were to be approved by the national assembly. Judging by the emotional response to this issue in a debate on February 9, it will be a long time before Kuwait's parliament comes near approving such an idea.



Ismail al-Shatti: the national assembly will facilitate mergers



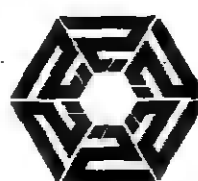
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## KUWAIT IV

Robert Corzine on how the state oil company is striving for efficiency and cooperation

## Goodbye to narrow nationalism

Robert Corzine is in the forefront of the drive in the 1970s by oil producers to gain control of their industries from foreign concession holders.

In the 1970s Kuwait was seen to be a pioneer in the process of reshaping often bloated state oil companies along the leaner lines of their private sector counterparts. And it was in partnership with foreign companies.

The beginnings of what could evolve into a radical departure in oil policy came after two decades in which Kuwait built up a fully integrated, state-owned industry. Subsidiaries of the Kuwait Petroleum Corporation, the holding company at the centre of the sector, are involved at all stages of the industry's "value chain", from crude oil production to refining, petrochemicals, retail marketing and shipping, both in Kuwait and abroad.

The structure, created on the basis of the integrated oil majors, has helped in some

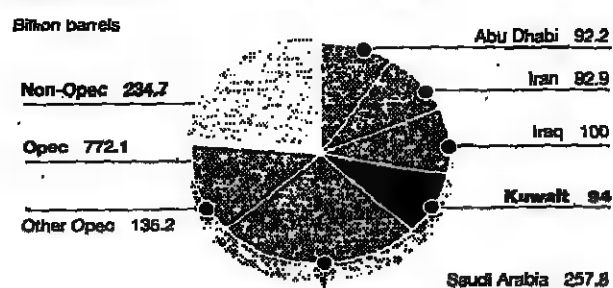
revenue flows. Refining and marketing, for example, are traditionally able to achieve higher margins during periods of low oil prices.

However, low cost of production, estimated by Western experts to be as little as 10 cents a barrel, is an added advantage. In the past it has allowed some states the efficiency associated with chronic over-manning of the sector.

But just as the Kuwait government is having to think about ways to reduce the welfare state, the highly centralised oil industry is having to think about how it will adjust to growing world competition in an era of relatively low prices. Low production costs cannot be the only measure of the industry's efficiency, according to Mr. Sultan, the former deputy chairman of KPC and until last November the former head of its international operations in London.

He believes the major challenge facing the sector is the need to adopt the best prac-

## Distribution of oil reserves 1992



Source: BP Statistical Review

Some of international oil companies, but to do so within the restrictions imposed by the company's social obligations as the country's single-largest employer and a politically-sensitive industry.

Mr. Sultan acknowledges that "sometimes it feels as though I am being pulled apart" by conflicting forces, although he is optimistic that a politically-acceptable way forward can be found.

The privatisation of

KPC is central to the drive for efficiency, he says. The first step is to be debated, but it is likely to be the sale of domestic service stations. Other assets such as the domestic distribution of LPG cylinders and support services for visiting tankers could follow.

Foreign investors might find an early role in Kuwait's fleet of oil and industrial product tankers.

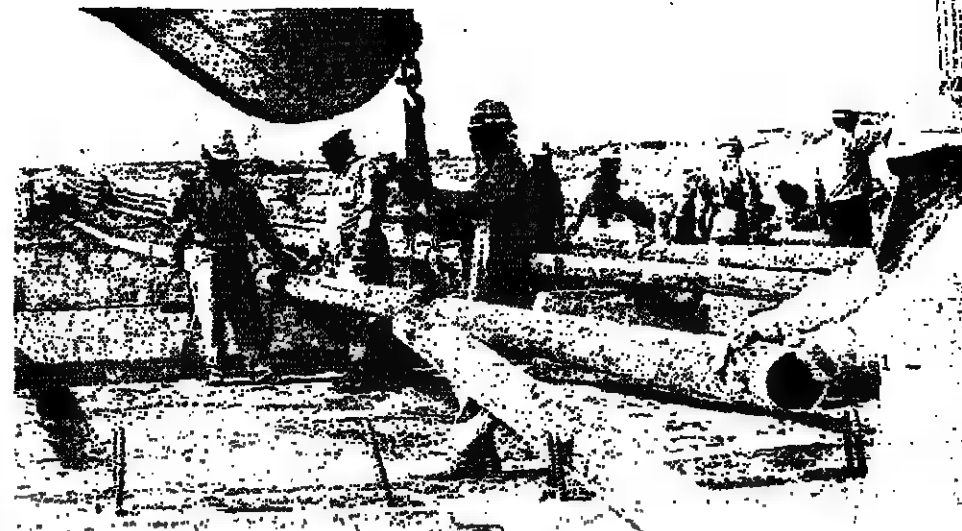
The sale of refining

operations is less likely. "We would have a problem if a potential partner said let's have a joint venture at an existing refinery, he says. "What real advantage could they bring? But starting with a clean slate is different."

Likewise, he sees no prospect of selling off well-developed production assets such as part of the giant Burgan oil field. But foreign involvement in the exploration and production of undeveloped reserves is one of the main themes in a wide-ranging internal debate over Kuwait's future oil policy.

All present foreign involvement is confined to technical assistance, such as the one held by British Petroleum. Kuwait and Chevron are discussing similar arrangements, which would allow them to believe could evolve into broader cooperation, including joint ventures.

The Sultan, however, believes much can be done to improve efficiency in the industry before "we bring in foreign



Rebuilding the northern oil fields: a new philosophy in the 1990s

partners". But partnerships may be essential to maintaining the momentum of an efficiency drive, he adds. There would also be substantial technical and administrative advantages in partnerships, according to Western industry executives.

Foreign involvement would also lessen the need of raising considerable capacity in the barrels a day, in b/d more than Kuwait's present quota from the Organisation of Petroleum

Exporting Countries. Mr. Sultan says the higher figure is equivalent to the long-term market demand for Kuwaiti oil.

Industry observers say it would also boost Kuwait's bargaining power in Opec, as well as allow it to respond to any market shortfalls in world supply.

Specific areas which might be opened in exploration include potential offshore fields as well as parts of west-

ern Kuwait, near the Iraqi border. The presence of western oil companies in such militarily sensitive areas is seen by many Kuwaitis as a way to enhance their long-term security. It might also counteract nationalist arguments against foreign participation in oil production. In addition any agreements with foreign companies are likely to be production sharing deals rather than the concessions which Kuwaitis associate with the colonial era.

Mark Nicholson explains how Kuwait uses arms purchases to win inward investment

## Offset rules sustain the local market

Kuwait has high hopes of its offset programme. The requirement that defence contractors re-invest a nominal 30 per cent of the value of their deals in new Kuwaiti joint ventures is, for example, expected in the short term to provide the biggest source of foreign investment in an economy which has seen little of it since the Gulf war.

The government also sees its offset programme as a means of regenerating Kuwait's private sector, which has also invested little of its own money in the state since the war. The programme appears to offer the best hope of introducing new technology and training opportunities into the country. The government also expects it to provide new products for export.

Finally, but probably as important as any economic benefit, the government hopes the offset programme will provide the country with a strategic bulwark. "If we have foreign interests inside the country," explains one offset official, "this will obviously help the government get strategic help if it ever needs to ask for it again." The offset programme is thus expected to double Kuwait's strategic gain from its defence dollars, buying both weaponry and a sort of "human shield" of foreign investment and expertise.

The catch in what otherwise appears an elegant solution is in many of Kuwait's most pressing post-war needs.

however, is that the Gulf war's multi-billion-dollar rearmament programme is obliging defence contractors to come up with hundreds of millions of dollars worth of re-investment projects, and it is unclear when such big opportunities lie. Kuwait's post-war sector was not highly developed before the Gulf war and has shrunk considerably since. The juiciest parts of the oil sector itself lie, for the present at least, quarantined from foreign investment.

In addition, since the offset programme requires foreign investors to find joint venture partners to hold 51 per cent of any project, the plan assumes that incoming companies will invest local investment in projects they have elsewhere. But as one offset official notes, "Kuwaitis have been investing elsewhere in local opportunities there are in this country for the last 40 years. This is a very well-ploughed field indeed."

The architects of Kuwait's offset programme were well aware of these limits to Kuwait's ability to attract and absorb investment and have accordingly

designed what many defence contractors consider among the most flexible of such schemes in the world. A unique feature of Kuwait's programme, for instance, is that it will permit offset joint ventures with Kuwaiti partners in count against the offset requirement: investments in other Gulf countries, the Arab world or anywhere else are acceptable, in that order of

The biggest source of new foreign capital is expected to come from the requirement that defence contractors invest a nominal 30 per cent of the value of their sales in new Kuwaiti joint ventures

preference. Neither do defence contractors have to make the investment directly. To satisfy the programme's requirements, they need only introduce the investment to Kuwait - though they would retain overall responsibility for its performance. For domestic investment, which is the government's priority, the scheme also includes a series of multipliers designed to encourage investment in preferred sectors: investment in education, management, training or manufacturing, for

example, carries a multiplier of four, so that a \$1m investment in those areas counts as \$4m against the offset obligation.

Assembly, processing or partial manufacturing projects earn multipliers of three. Investment in services carries a multiplier of two. "The plan is designed to reflect government priorities rather than

to force investment towards them," says an offset official. But even given these incentives, the scale of investment obliged under the offset is forcing defence contractors to search for opportunities elsewhere for new projects. Proportionate to the sum of offset contracts already awarded by the Kuwait government, a notional \$500m worth of investment has already been obliged under the programme and is in immediate prospect. "It's really become a big race," says one

army supplier. "No-one has yet had value of investment put there, so it's a question of getting in there first."

So far three companies have signed preliminary agreements under the offset scheme. Hughes Aircraft, the US defence group, was the first, committing itself in late 1990 to a \$27.6m offset under a deal to sell Kuwait early warning radar. Hughes has already set up a joint venture to establish a training centre directly related to the radar system.

Aerospace Missiles of France late last year signed a \$3m offset deal as part of its supply of an undisclosed number of missiles to Kuwait, but has not yet detailed its proposed project. Neither has Raytheon, the US group which has agreed a more than \$300m sale of Patriot missiles to Kuwait, giving it a formal offset obligation of \$90m. However, Raytheon executives have already indicated they are preparing a joint investment in a manufacturing project in Kuwait which they say will far exceed this amount requirement. No details of what Raytheon has in mind have so far been released.

By March, GKN, the British automotive and defence group, is expected to sign a memo of understanding on a similar offset requirement as part of the near \$1bn deal to supply just one of the Warrior armoured personnel carriers. The company is in the earliest stages of examining what projects might be offered.

But even without the further defence purchases for which Kuwait has, at least for now, budgeted, offset commitments will almost certainly rise further. Within a month or two, according to offset officials, the government intends to extend its offset obligations to all supply contracts, defence or civil, exceeding \$10m.

With Kuwait's absorptive capacity already beginning to look strained under the weight of such sums, contractors are already looking with slightly anxious hope towards the government's embryonic privatisation plans. "It would seem the perfect fit for us to satisfy our offset requirements by plugging into privatisation sales," says one Western executive.

Just now, however, the timing is awkward. Most offset deals already signed must lead within a month or two to specific "concept papers" on projects to be pursued. The earliest real privatisation offering is not expected before the end of this year. Kuwait, however, will undergo perhaps the most thorough scouring for investment opportunities in its history.

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South Africa, Australia, Taiwan, China, Argentina, and, most recently, Malaysia and the Philippines.

In Kuwait, GKN is now in discussion with the public sector to achieve an understanding of the priorities for the economic development of Kuwait as the basis of the countertrade offset programme. Discussions are also taking place with Kuwaiti banks, investment companies, and private investors to explore various investment possibilities. GKN is keen to bring together the resources and business interests of its suppliers, contractors, and others to assist in the countertrade offset programme.

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## KUWAIT VI

Robin Allen studies the challenges facing the 35 year-old Kuwait Investment Authority

## The lion curbs its restless tail

Many of the challenges facing the Kuwait Investment Authority (KIA) have been made this month on improving the Kuwait Investment Authority's management structure and investment policy are already being implemented.

The proposals, by the KIA's strategy and planning task force, largely follow the guidelines introduced more than 30 years ago. The investment policy, which has been in force since 1963, was revised in 1983. The KIA's investment policy is already being implemented.

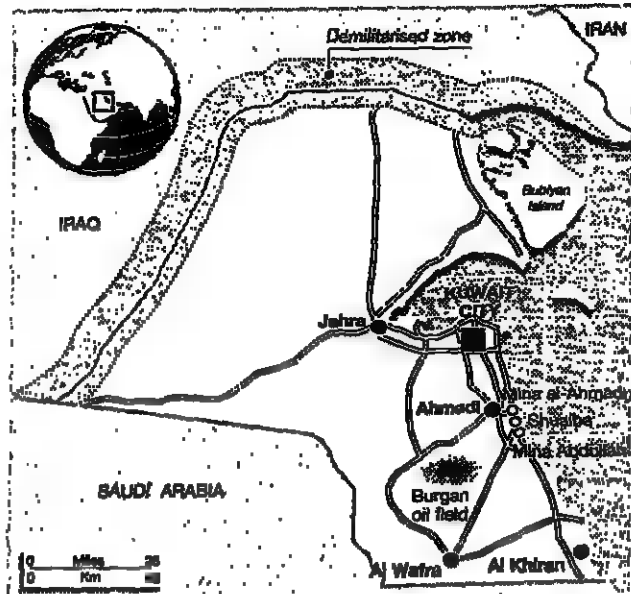
In spite of the eight-year Iran-Iraq war, the collapse of an unregulated stock market, and the economic and political upheavals at home and overseas, they managed an initial wave of \$100m to appreciate to \$1.5bn by August 1, 1993. Then came the Iraqi invasion and Operation Desert Storm which threatened to bring the value down. But it survived, so that the state now has almost \$1.5bn in first-class liquid resources. Few other countries - and no other Arab country - have so much.

At a time when the ruling Al-Sabah family has a lot of criticism, Kuwaitis are proud of the man who led in the early days of the state. The Emir, Sheikh Jaber al-Ahmad al-Sabah, in 1960, was appointed head of the investment office in Kuwait's department of finance. After independence in 1961, Sheikh Jaber became finance minister, and stayed in the post until 1983 when he became prime minister. He remained as head of state in 1977.

In the 1960s, Kuwait was part of the sterling area. The main objective of the investment office within the finance department was simply to keep the country's oil revenue in Kuwait's sterling account in London and to invest what was needed to Kuwait for expenditure. The surplus was returned. In the early 1960s this meant little more than putting money on deposit with the Bank of England, which mediated the money to act as custodian as well as investor.

By the late 1960s the British

ment office had become more sophisticated. It was already planning how to convert the surplus oil and budget revenues into long-term investments to guarantee future security. Until 1963 Kuwait's investments were made through British representatives on the Lon-



don-based Kuwait Investment Board, which after 1962 was increasingly supervised by Mr Khalid Abu Su'ud, a Jerusalem-born Palestinian, under the authority of Sheikh Jaber. Mr Abu Su'ud is still the Emir's investment adviser.

Kuwait left the sterling area after independence. Its currency was changed from the Indian rupee to the Kuwaiti dinar, and in 1966 the investment office was replaced by the Kuwait Investment Office (KIO) chaired by the Kuwaiti ambassador in London, Mr Khalid Abu Su'ud. The KIO's first general manager was Mr Bader Badi until Sheikh Fahad al-Sabah took over in 1977, bringing Mr Khalid back as his deputy. They remained at the head of KIO until 1983.

By 1983 the investment department of the finance ministry was becoming more sophisticated, but it kept its conservative bias. Assets were no longer restricted to the UK. The investments of the Kuwaiti

companies' law and the commercial code enabled part of the state's resources to be used to develop Kuwait's economy through shareholding companies such as Kuwait Investment Company, Kuwait Foreign Trading, Contracting & Investment Company, Kuwait



Transport Company, Kuwait Airways Corporation, Kuwait Savings Bank. There was also the Kuwait Fund for Arab Economic Development, which became the financial arm of Kuwait's foreign policy.

In 1983, Sheikh Jaber set up an international advisory committee, whose members were drawn from captains of industry and business.

Until the mid-80s, together with the US's Gulf Oil, remained pivotal in Kuwait's upstream and downstream petroleum industry. Sheikh Jaber appointed Mr Abu Su'ud, by now the director of the investment department at the finance ministry, to run the state's investment portfolio.

For much of the 1980s the volume of investments was measured in hundreds of millions of pounds sterling rather than in billions. But as the assets grew, so investments diversified: fixed interest securities, floating rate notes or other negotiable instruments;

first-class listed equity; long-term projects including direct investments and real estate.

In the 1970s the geographical spread started to include Japan for medium-term investments. Investments started to be made in Hong Kong, Taiwan, South Korea, and Australia, often through the London market, still regarded as the world's financial centre, but many also through the Hong Kong stock exchange.

Other investments, including real estate holdings, were never allowed to exceed more than 10 per cent of the total portfolio. This contrasts with the existing 31 per cent balance in the UK. Spain is excluded, after the manner of the USA and the early 1980s. The combination of writing off the Spanish assets and guidelines implemented under the present management will bring the proportion of direct investments down to 10 per cent of the total. But the intention is to bring them down to 5 per cent by Sheikh Jaber in the 1990s.

How the Spanish connection carried on of control is a separate story now the subject of court proceedings in London and Spain.

The bulk of the direct and property investments were initiated after the first oil price rise in 1973-74. In Britain through Al-Murabah Holding Company - property, manufacturing, health-care and food - in the UK through the Lane. Both have had mixed fortunes, though despite everything the Lane is still reported to have assets of over \$3bn.

The West German investment were the direct result of the presence on the KIA's advisory committee of Dr Hermann Abs, former head of the Deutsche Bank (who died this month). Dr Abs was the first of many; Sheikh Jaber and his successors have been in charge of the country's wealth for more than 30 years. But in the mid-1980s the volume of funds according to the Kuwait Investment Office's accounts were anything but

normal. Kuwait's reserves were growing at an unprecedented rate; the investments were long-term in companies whose shares were considered blue-chips.

Prior to 1983 all of Kuwait's surplus was in the General Reserve Fund (GRF). In that year the Reserve Fund for Future Generations (RFFG) was created, and then it was put half of the total assets - and all of the quality assets - of the GRF. In addition, the RFFG was henceforth to receive 10 per cent of the state's oil revenues.

Today the RFFG includes all the liquid assets plus Kuwait's quota in the IMF and the Arab Monetary Fund, the World Bank and its affiliate, the International Finance Corporation. By 1983 the GRF had the rump of unproductive assets; loan assets on the books of the Kuwait Fund for Arab Economic Development including loans to such countries as Sudan, Iraq and other previous beneficiaries now bankrupt; the capital of Kuwait's own Central Bank and Kuwait Petroleum Corporation which by then had been touched; plus property holdings in 40 local companies of which 43 are listed on the Kuwait stock exchange. Theoretically, these had a capitalisation of \$100bn-KD10bn, representing an average holding of \$100m-KD10m per cent of all quoted companies.

If Dr Abs returned, the government would have to face the reality of a rejuvenated private sector, but today they are wary. In 1981, the investment department at the finance ministry was superseded by the KIA as a separate sovereign entity. This was at the height of the second oil boom when Mr Abdel-Latif Yousef al-Hamad was finance minister. He had many supporters who claim that had he been left in charge the country would have been spared the worst of its financial troubles.

Tough, extremely able and of unquestioned integrity, Mr al-Hamad would in time have shown that the authority of the KIA imposed itself on the KIO. His recipe for dealing with the KIO was to bring it under the control of the KIA. He was a man of the day. His departure from the finance ministry reverted to Sheikh Jaber al-Sabah, who was already the minister; and the managing directorship of the KIA went to a relatively unknown Kuwait university economics professor, Dr Faisal al-Rashid. Dr al-Rashid remained finance minister until 1985 when he was ousted by the former role of Mr Jasssem al-Khorafi, a prominent businessman.

As a result of all these changes the KIA in London became stronger than its parent, a classic example of the tail wagging the dog. But the implications of all these developments were already blurred, not only by the general paralysis in the financial community caused by the crash of the dollar, but also because, by the end of 1983, Kuwait's overseas assets were equal to the country's income from oil. So who was to complain at the time if the KIO made all the running? As far as most people could see it was delivering the goods; and Sheikh Jaber's original guidelines were still largely in place.

Among the stipulations that direct investments apart, the KIA/KIO should not have more than one per cent in any one company. If for example KIA invested \$1bn in the US equity market, the investment was spread among 400 companies.

The conservatism of Kuwait's investment policy unexpectedly came in light in 1988 when a disgruntled former employee of Chase Manhattan in New York leaked Kuwait's Kuwait portfolio in the press. Its structure and balance reflected the usual wisdom of a conservative investment policy.

The KIA's general manager, Mr Yousef al-Awadi, stepped down only a month to supervise the transfer of KIO into KIA. This was completed last March.

The second priority is to establish a working relationship with a revived and reformed national assembly (parliament).

This will mean KIA's (and the government's) acceptance of a degree of enhanced public accountability and parliamentary scrutiny. If good intentions prevail, the new-looking KIA will continue to be in the hands.

Overall strategy is being fine-tuned by the "Strategy and Planning Task Force", an internal committee due to complete its work this month.

Working with the National Assembly should improve over time.

The authority of the national assembly in scrutinise the KIA - and the government's policies that affect the KIA's investment decisions - was further strengthened by the unanimous rejection last month of the controversial ministers' trial law. This imposed restrictions on ministers being brought to trial.

The immediate issue was whether Sheikh Ali al-Khalifa al-Sabah, the former minister, should stand trial following allegations of embezzlement from the Kuwait Oil Tanker Company. The trial opened on February 5, and Sheikh Ali was charged.

The principle was as important as the immediate issue. Mr Ismail al-Shatti, an Islamic conservative who is head of the national assembly's finance committee, described it as a "revolutionary law in Kuwait's financial life".



Happier days are here again: oil minister al-Baghl (centre) attends the reopening of the Shuaiba refinery

the KIA imposed itself on the KIO. His recipe for dealing with the KIO was to bring it under the control of the KIA. He was a man of the day. His departure from the finance ministry reverted to Sheikh Jaber al-Sabah, who was already the minister; and the managing directorship of the KIA went to a relatively unknown Kuwait university economics professor, Dr Faisal al-Rashid. Dr al-Rashid remained finance minister until 1985 when he was ousted by the former role of Mr Jasssem al-Khorafi, a prominent businessman.

As a result of all these changes the KIA in London became stronger than its parent, a classic example of the tail wagging the dog. But the implications of all these developments were already blurred, not only by the general paralysis in the financial community caused by the crash of the dollar, but also because, by the end of 1983, Kuwait's overseas assets were equal to the country's income from oil. So who was to complain at the time if the KIO made all the running? As far as most people could see it was delivering the goods; and Sheikh Jaber's original guidelines were still largely in place.

Among the stipulations that direct investments apart, the KIA/KIO should not have more than one per cent in any one company. If for example KIA invested \$1bn in the US equity market, the investment was spread among 400 companies.

The conservatism of Kuwait's investment policy unexpectedly came in light in 1988 when a disgruntled former employee of Chase Manhattan in New York leaked Kuwait's Kuwait portfolio in the press. Its structure and balance reflected the usual wisdom of a conservative investment policy.

The KIA's general manager, Mr Yousef al-Awadi, stepped down only a month to supervise the transfer of KIO into KIA. This was completed last March.

The second priority is to establish a working relationship with a revived and reformed national assembly (parliament).

This will mean KIA's (and the government's) acceptance of a degree of enhanced public accountability and parliamentary scrutiny. If good intentions prevail, the new-looking KIA will continue to be in the hands.

Overall strategy is being fine-tuned by the "Strategy and Planning Task Force", an internal committee due to complete its work this month.

Working with the National Assembly should improve over time.

The authority of the national assembly in scrutinise the KIA - and the government's policies that affect the KIA's investment decisions - was further strengthened by the unanimous rejection last month of the controversial ministers' trial law. This imposed restrictions on ministers being brought to trial.

The immediate issue was whether Sheikh Ali al-Khalifa al-Sabah, the former minister, should stand trial following allegations of embezzlement from the Kuwait Oil Tanker Company. The trial opened on February 5, and Sheikh Ali was charged.

The principle was as important as the immediate issue. Mr Ismail al-Shatti, an Islamic conservative who is head of the national assembly's finance committee, described it as a "revolutionary law in Kuwait's financial life".

portfolio. More blue-chip assets were represented; the structure was exactly what would have been expected from a rational investor of any large family trust.

The year then saw another landmark: the dissolution of the national assembly amid clear signs that it intended to take a much tougher line on the issue of public accountability. It had already passed the resignation of the finance minister, Sheikh Salman al-Duali al-Sabah.

But even without the benefit of a suspicious parliament, the

The KIA enabled Kuwait to recover from the Iraqi invasion of August, 1990

initiated by 1989 when Kuwait's investment portfolio was valued at \$100bn. The KIA's operations for a new era of supervision and oversight had to be set up.

Its work however was interrupted by the August 1990 Iraqi invasion and occupation. In fact, no audit of the KIO was done between 1990-1992. The pre-war executive and supervisory board was dissolved when liberation, and a new one appointed. This was the KIA's managing director Mr Ali al-Bader, Mr Ali al-Hasan, an ex-chairman of Burgan Bank and former deputy-governor of the Central Bank; Mr Bader Mokhatrum, chairman of Kuwait Finance House, and Mr Abu Su'ud.

The guidelines laid down by Sheikh Jaber were evident when the crunch came in August 1990. Within months Kuwait was obliged to fund the war effort. Some \$10bn was liquidated at short notice with healthy capital gains intact. In less than a year, a second tranche of \$10bn was raised, the same amount had

to be found. Altogether 60 per cent of Kuwait's overseas assets were sold - discreetly, without moving or affecting the market, and realising all their capital gains.

It was masterful. The \$5bn has in Spain has been more than made up by an appreciation in the last year of the overall portfolio of some 30 per cent on the approximate \$5bn which remained intact after the sell-off.

These gains will more than cover the projected 1993-94 budget deficit of \$2bn - plus if necessary off-budget defence commitments as well.

The strategy now is to have not more than 20 per cent of the total portfolio in any one country or market or sector. The KIA's portfolio reflects a rough balance between the five main investment areas: North America; the UK; Europe; Japan; and elsewhere Asia.

The proportion of direct investments, including property, to the portfolio as a whole will be reduced to 10 per cent, with the longer-term aim of bringing them back down to 5 per cent of the total.

The strategy allows for KIA to take over a company, but the acquisition of any company has to keep within these renewed guidelines. Existing exposure in direct investments excluding Spain is 10 per cent of the total; including Spain they amount to some 30 per cent. Offices are to be opened in all the principal locations, with reliable investment managers in charge of day-to-day operations for individual portfolios.

In spite of war, invasion, and mismanagement and scandals, Kuwait's overseas assets, possibly the lifeblood of the state generation, have survived to grow again. The foundations laid 30 years ago have stood the test of time.

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## All change at the KIO in London

The Kuwait Investment Authority is now faced with two priorities as Kuwait emerges from the trauma of invasion and the KIA from past mismanagement, writes ROBIN ALLEN.

They are to improve internal structure, particularly the chain of command and control, and to improve management. Central to this task is ensuring the Kuwait Investment Office is firmly established in the KIA's central authority and power again, and to arrogate to itself the power to conduct on uncontrolled overseas adventures.

The KIA's general manager, Mr Yousef al-Awadi, stepped down only a month to supervise the transfer of KIO into KIA. This was completed last March.

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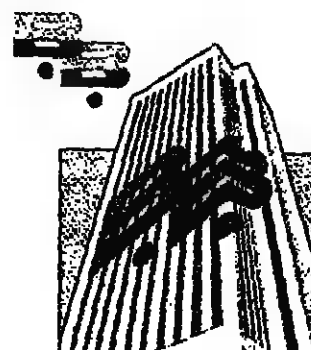
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# ASIA-PACIFIC TELECOMMUNICATIONS

Friday February 25 1994

In a region where telecommunications services range from the primitive to the sophisticated, opportunities for newcomers are legion. Andrew Adonis discusses the problems and highlights the areas where new operators and investors can make a contribution

## Lined up for development

Meternich's famous quip that Italy was a geographical expression applies more justly to the Asia-Pacific region. Societies as diverse as New Zealand, the Philippines and China have barely one thing in common: a situation on the same side of the globe.

Telecommunications may be helping, gaily, to integrate the region, but its diversity is reflected in the existing state of the industry. As the graphs make clear, all stages of telecommunications development are to be found in the region.

Japan, Australia, New Zealand and Hong Kong have a "teledensity" — a ratio of main lines to population — on a par with the rest of the developed world. Singapore is not far behind, and South Korea has a teledensity just behind that of Spain. By contrast, most of the region's emerging market countries have primitive networks, with fewer than 10 lines per 100 people. A swathe of low-income countries have no national networks worth the name, and provide telephones for fewer than one in 100 of their citizens. Therefore when American or European investors or operators talk glibly of "moving into Asia-Pacific telecoms", all it tells you of their strategy is that they want to do something abroad.

The opportunities to do something are legion. In the

region's high-income countries, liberalisation and privatisation have caught on more strongly than in the European Union. Australia, New Zealand and Japan all have competing cellular and fixed-wire operators. Hong Kong's domestic monopoly will be broken next year; the British colony already has four cellular operators. Three of them with two networks apiece, plus some 15 paging operators. New Zealand has sold 49 per cent of its state telecoms operator to Ameritech and Bell Atlantic, the US regional Bell companies, and now has arguably the world's most open telecoms market.

In medium- and low-income countries, the role telecoms modernisation can play in underpinning economic growth is widely appreciated. Almost everywhere, there is a new readiness to look beyond the traditional monopoly operators, even if that means legal reforms and domestic controversy.

As a recent World Bank discussion paper\* puts it: "It is generally agreed that the limited attention accorded telecommunications in the past and the prevalence of state-run monopolies has cost Asia's poorer countries dearly, economically and socially". More than 2.5bn people in the region's low-income countries have access to barely 25m tele-

phone lines.

The priority, argues the World Bank paper, is not so much privatisation but the licensing of new operators and the creation of an investment and regulatory environment which is congenial to them. "By and large," it advises, "governments should adopt a 'serve it or lose it' policy to require carriers to meet the paid demand for new service within a given time or face the prospect of (a) having a competing company licensed to provide service, or (b) having portions of their service territory retransferred to other carriers."

On that basis, barriers to competition would tumble across the region. Waiting lists and investment patterns are such that in at least half of the poorer countries it would take until past 2000 to satisfy existing demand for new telephone lines. If expansion continues on recent trends. And waiting lists expose only a fraction of suppressed demand and growth potential.

**C**hina is the world's most breathtaking telecommunication opportunity. Its government has a target of providing at least 40m new lines by 2000, offering manufacturers and operators the prospect of installing from scratch a network equal to that of two British Telecoms.

Western equipment manufacturers already do brisk business in China. Alcatel, the French manufacturer, is the leader, with about 30 per cent of the market and significant production facilities. Germany's NEC and Japan's NEC are notable stakes; America's AT&T is eyeing opportunities seriously.

The coming months will be critical for the evolution of telecommunications in the low- and medium-income countries. Fierce debate is taking place within different tiers of China's government about allowing overseas operators to build and operate networks. Mr Huang Ju, Shanghai's reformist mayor, said last year that he wanted to license western operators to expand Shanghai's

telecommunications. The idea received a frosty response from Beijing's hidebound ministry of posts and telecommunications, which is also battling with other ministries anxious to see alternative providers. But most analysts see liberalisation as inevitable if the government is serious about meeting its targets.

Crucial decisions are also soon to be taken in India and Indonesia. The Indian government is selling a stake in VSNL, India's international operator, to international institutions. Once complete, about a third of the company will be in non-government hands. The country's forward-looking telecoms commission has proposed that the domestic sector should be liberalised further: one option is for domestic telecoms operations to be split into four separate companies and privatised, other operators licensed to build lines and provide services.

The Indian government has received more than 30 proposals from non-state operators to provide services, worth between \$150m and \$15bn between them. US West, Singapore Telecom and Telecom New Zealand are among the overseas companies in the frame. US West is proposing a \$100m joint venture to provide services to an industrial town in Tamil Nadu in partnership with state-owned Tamil Nadu Electronic Development Corporation.

In Indonesia, which has barely 0.7 lines per 100 people, partial privatisation of the state operator is under serious consideration, along with liberalisation to allow private sector involvement in some form.

The models for many are Thailand, which has pioneered "build, operate, transfer" contracts, and Malaysia, which four years ago sold a 25 per cent stake in its state operator on the Kuala Lumpur stock exchange and is now considering pressing ahead with competition in all markets. "There is over \$20m of international public offerings (IPOs) already in the pipeline in the region, excluding Japan," says Mr Andrew Harrington, Asia-Pacific telecoms analyst with



Ningbo connection: the opportunities in China are breathtaking

### IN THIS SURVEY

India: new policy is being fashioned; Singapore: hub of south-east Asia; Thailand: state agencies under threat

Page II  
China: a vast market awaits exploitation; Malaysia: a victim of its own success; Hong Kong: no escaping the ringing call

Page III  
Japan: on course for the multimedia age; Australia: in a state of upheaval

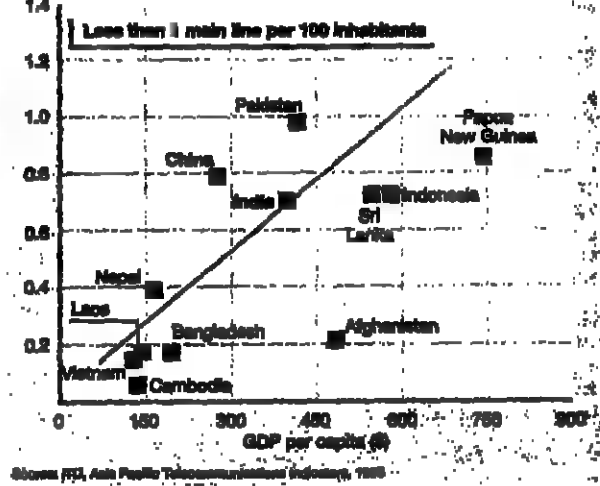
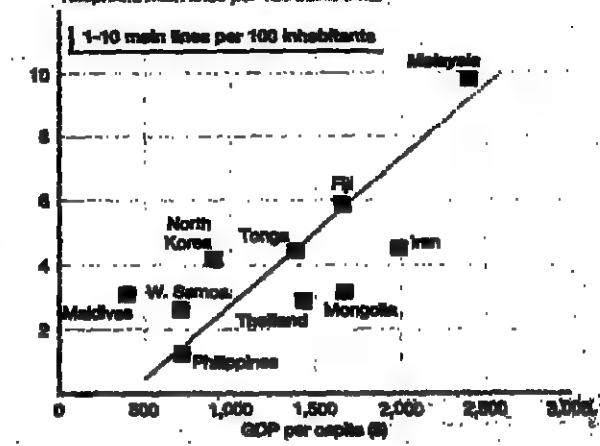
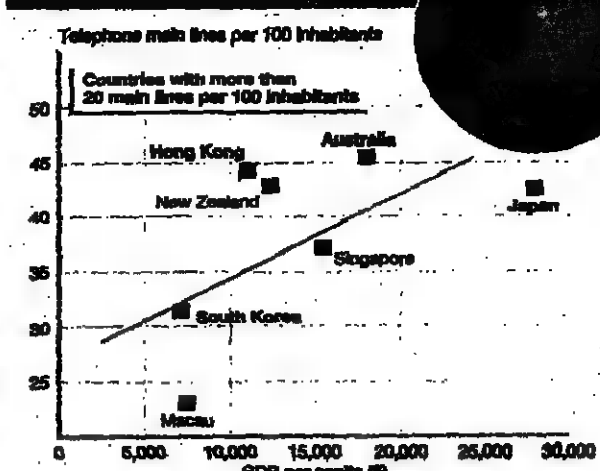
Page IV

regulation is essential. Issues of interconnection, standards, pricing and even bribery, bedevil all attempts at telecoms liberalisation in developing countries.

Divesting the state operator of responsibility for detailed rule-making is not a sufficient reform, but it is absolutely necessary if better service is the object. As the World Bank stresses, "regulation has been the weakest part of sector reform in poorer countries. If this deficiency is not addressed, ambitious plans for sectoral expansion are likely to be compromised."

\* Telecommunications Sector Reform in Asia: Towards a New Pragmatism. World Bank Discussion Paper 232.

### Teledensity and wealth



Sources: ITU, Asia Pacific Telecommunications Indicators, 1993

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## ASIA-PACIFIC TELECOMMUNICATIONS II

## INDIA

## World waits for reforms

The Indian government is putting the final touches to a telecommunications policy which it hopes will pave the way for large-scale private investment and end the state's monopoly of the industry.

Foreign companies are among the many which hope to take advantage of the reforms once they come into force and have been busy lobbying for change. But in framing the policies ministers have also to take into account the opposition of most of the 17 million workers employed by the government's department of telecommunications, who fear their jobs might be lost if the market is opened to competition.

The improvement of India's telecommunications network is a prerequisite for the success of the government's policy of opening India to international trade and investment. India has about eight telephones per 1,000 people, compared with a global average of 100.

India has about 7m telephones, but it provides an average of only one line for every 10 of its 200m people. People would want installing an extra 12m lines - an investment of the order of \$100bn, according to officials of the government's department of telecommunications.

M. N. Vittal, the dynamic chairman of the Telecommunications Commission, the industry's policy-making body, believes that without private investors, including foreign companies, India cannot raise the funds it needs for telecommunications. And without better telecommunications, India "cannot plug into the global market".

In an effort to improve the efficiency of the network, the services for Delhi and Bombay were split from the department of telecommunications in 1986 and made into a separate state-owned company called Mahanagar Telephone Nigam Ltd. But the frictions between this and the department - over rates, for example - were so great that in 1991, the government ordered a review by the Athreyas Committee, which in the same year recommended splitting the network into four regional corporations and one for long-distance services. (A separate corporation, VSNL, handles international calls.)

The telecommunications trade unions protested strongly at the suggested break-up of the network, principally out of fear that the loss-making operations covering depressed western India would have no

choice but to cut staff. The unions' political support so effectively blocked the planned reorganisation of the network that repeatedly has been delayed - and with it the rules under which private companies are to be allowed into telecommunications.

Mr Vittal, a high-flying civil servant who took over the telecommunications ministry last autumn, has argued in favour of extensive liberalisation to promote the growth of efficiency and to open the door to investment. His target is to

**The improvement of India's telecommunications network is a prerequisite for the success of the policy of opening India to international investment**

have 20m lines installed by 2000 - an aim that is only feasible with large-scale private investment.

However, the Indian government is unlikely to make the network's break-up and may instead turn the telecommunications department into a state-owned corporation. There would still be plenty of scope for the entry of private capital and preserving the public network inside one corporation would shield it from the full blast of competition. As Mr

Vittal said in a speech late last year: "One has to make a distinction between liberalisation and privatisation. At the moment our emphasis is on liberalisation."

It seems likely that the government will also continue to distinguish between the basic network of telephone services, in which the influence of the state remains strongest, and other value-added services including computer-linked services, mobile telephone networks and paging services.

In the basic services, a strong hand of the state will be maintained. Private companies will be permitted to

invest in the network, but the state-owned corporation, last year won approval from the Cabinet Committee on Foreign Investment for a US\$100m joint venture providing services in an industrial tract in Tamil Nadu in partnership with the state-owned Tamil Nadu Electronics Development Corporation.

The partners, which plan to invest a total of US\$1bn over 10

years in different locations, will have a non-exclusive licence and will therefore be obliged to compete with the department of telecommunications and with other possible carriers. The partners will also be required to charge the same as existing DoT rates and to connect their systems with the DoT network.

However, the US West project still requires separate approval from the telecommunications ministry. Other foreign companies which are looking to group with DoT have expressed interest in investing in basic telephone services include Qualcomm and Media Digital of the US and Northern Telecom, from Canada. The potential bidders also number leading Indian industrial groups including Calcutta-based RP Goenka group and T. T. Mohi of Delhi.

In the meantime, the government has tried to promote the expansion of added-value services, particularly cellular telephones and paging services, but its efforts have been stymied by clumsy handling of bids resulting in legal action.

For paging services, the government last month gave an initial go-ahead to 18 companies, all joint ventures between Indian and foreign groups, to operate radio-paging services in 27 cities. The announcement came a year after the Delhi High Court over-ruled objections from some unsuccessful bidders.

Stefan Wagstyl

## SINGAPORE

## Hub of south-east Asia

The modern story of Singapore telecommunications began with the island republic's telecommunications and post utility, ST, which has an exclusive licence to provide local and international telecommunications for Singapore until 2007 and a similar licence governing mobile communications services running until 1997.

Partially privatised in October last year, ST is Singapore's biggest listed company with a market capitalisation of more than S\$500m (\$320m) - about 20 per cent of the local market's total capitalisation.

In spite of its size and its monopoly position in Singapore, ST has earned a reputation as an efficient and progressive telecommunications facility. With about 40 lines per 100 people, Singapore has one of the highest telephone penetration rates in the east Asia region.

Singapore has become the telecommunications hub of south-east Asia. ST is now determined to become not only a regional but a world participant in the industry.

To date, ST has concentrated its efforts on the home market, putting in place a wide range of services using state-of-the-art technology. In 1989, Singa-

pore became the first country in the world to install a nationwide ISDN network. With more than 50,000km of optical fibre cables installed throughout the island, Singapore now has one of the highest urban concentrations of optical fibre cables in the world.

Through its control of what the government refers to as "fixed services" ST is the sole provider of fixed line national and international calls, public services, radio paging and, through a subsidiary

**Singapore Telecom has earned a reputation as an efficient and progressive telecommunications facility**

company, mail services.

Notwithstanding these advantages, ST has remained competitive and has matured into a company capable of posing a challenge to much bigger global participants.

In 1994, ST expects to spend S\$650m on improving its services and installing the latest technology. Over the next five years ST says it will be investing S\$1.5bn - big projects include the extension of submarine cable networks and a new satellite earth station to supplement two existing stations.

Despite such expenditures, ST has been able to maintain its international market share in the region. It also has a range of services to serve the needs of many major telecommunications companies.

In 1990, ST launched what was the world's most advanced

photo-video-text system through which photographic quality images are transmitted via TV. Users have access to a total of 130,000 television pages of government, business and other information.

Among other items users can pay bills, order goods and services, check bank accounts, monitor stock prices, take part in school lessons - even calculate interest - through the system.

In the first seven months of 1993 the number of international calls grew at a rate of 18.7 per cent per year and the international sector now contributes about 50 per cent of ST's revenue. Most analysts expect such growth to be sustained in the medium term due to the continued growth in the economy of Singapore and other countries in the region.

Cellular services are the main growth area at present - four in every 100 of Singapore's population now has a mobile phone.

The emphasis now is on developing international operations. Through its subsidiary, Singapore Telecom International, ST has been aggressively expanding overseas, setting up joint ventures with a wide variety of companies.

Until last October ST had invested nearly S\$500m in its overseas operations. These include the provision of cable services in Britain, the supply of data services in Thailand, cellular services in Vietnam, Sri Lanka and the Philippines and paging services in Indonesia and Hong Kong.

Kieran Cooke

## THAILAND

## State agencies fight for business

The recent surge in demand for telecommunications services in Thailand has overwhelmed the state-owned telecommunications agencies which control the networks, forcing them to concede an increasing share of the telecommunications business to the private sector.

But the state agencies are not giving up without a fight, and they are extracting a heavy price from concessionaires - who quickly pass on the cost to the long-suffering consumers of Thailand - for every inch of telecommunications territory they yield to a private contractor.

Against a background of Thai economic growth of around 8 per cent a year, the Communications Authority of Thailand (Cat) and the Telephone Organisation of Thailand (Tot) are notorious for their failure to keep pace with the demand for telephone services.

By tradition, the Cat, which has monopoly control of international services, used to be the fiefdom of the air force. The Tot, which runs the domestic network, was dominated by the army. Over the years, however, the influence of the armed forces in Thai politics has declined, and in 1992 the former government of Mr Anand Panyarachum removed several military officers from the boardrooms of state agencies such as the Cat.

Government officials and others are now discussing the possibility of fully privatising the Cat and Tot, opening the arena to competing companies, and appointing a neutral regulator. The Tot has already appointed consultants to examine its own privatisation.

Meanwhile, the Cat has been muddled by a round of quasi-privatisations, in the form of licences granted to private operators by the two state bodies, the Cat and Tot, ranging from mobile telephone operations to satellite launching. There is no doubt that the need for more telephone lines and telecommunications services. Today Thailand has about 2.5m lines, half the estimated demand. In Thailand there are about four lines per 100 people, less than half the figure for neighbouring Malaysia and a tenth of the level in Singapore.

The Cat and Tot have promoted the rapid growth of Thai telecommunications companies such as TelecomAsia, the subsidiary of the multinational Charoen Pokphand group, and the Shinawatra group of Mr Thaksin Shinawatra, a former police colonel. But the Cat and Tot contracts are often controversial. The Cat government was withdrawing 1m lines from the 3m-line installation contract awarded to a consortium, on the grounds that the original deal was too lucrative for TelecomAsia and deprived the gov-

ernment of revenue. International telephone calls out of Thailand are among the most expensive in the world, an anomaly for a country which insists that it wants to become a regional telecommunications hub. British Telecom communications has finally installed a data packet-switching node in Bangkok under a joint venture agreement with the Cat, but the charges levied by the Cat are believed to be exceptionally onerous by international standards.

Tot will have been able to attract the lines built by TelecomAsia, a problem TelecomAsia has sought to overcome by offering Tot employees inducements in the form of shares at steep discount to their market value.

Full privatisation of telecommunications in Thailand is likely to be hindered not only by vested interests in the Cat

**International telephone calls out of Thailand are among the most expensive in the world**

and the Tot, but also by some of the private operators who have been granted licences when they have been "exclusivity" clauses allowing them rights to a particular network or type of operation for a fixed number of years.

For example, Shinawatra, which launched Thailand's first mobile phone network last year, was awarded a 30-year monopoly on serving local satellite users when it won the contract in 1991, although the Anand government subsequently reduced the monopoly period to eight years.

Foreign equipment suppliers which have cosy arrangements with the Cat and Tot might also resist liberalisation. Some international telecommunications companies, on the other hand, would welcome a change in the laws which grant the Cat and Tot monopoly ownership of the networks.

The Cat and the Tot, surrounded by dynamic local private companies and their foreign partners, are beginning to look out of their depth in an age when telecommunications, broadcasting and the computer business are converging.

TelecomAsia, in which Nynex of the US has a 15 per cent stake, wants to increase the value of its business in Bangkok by using fibre-optic cables to transmit mobile television as well as telephone calls.

This did not form part of the original contract, but the Tot, perhaps persuaded by the offer of cheap shares, appears to have accepted it as a fait accompli.

Victor Mallet

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## CHINA

## Be patient, westerners urged

Western telecommunication giants eyeing the vast Chinese market will need to be patient since it seems that in spite of domestic pressures the authorities are in no hurry to open this lucrative sector to foreign involvement.

Professor Li Yining, an influential economist and member of the standing committee of the National People's Congress, China's parliament, wrote in a commentary last month that the country was "not ready for a change of policy". But Prof Li went on to say that when market conditions "matured" there was "no reason why foreign businesses cannot take part in the operations of telecommunications networks in China".

He listed three necessary developments: a strengthening of the local telecommunications industry so that it was no longer dependent on preferential government treatment and subsidies; technical improvements that would allow it to compete internationally; and due consideration of charges for services and the sharing of revenues.

"These issues need to be studied carefully," he wrote.

"And as these problems are essentially technical in nature, it seems highly likely that they can be resolved in the future."

Prof Li's remarks reflect what is proving to be a hot debate in China between advocates of liberalisation and a state telecommunications sector fearful of losing its monopoly.

These issues came to the surface late last year when the Mr Huang Ju, Shanghai's reformist mayor, told leading western telecom operators that he favoured a "pilot" project in

management role.

MPT's monopoly is, in any case, being eroded in various ways, especially in the area of cordless telephones and pagers. The continuing proliferation of satellite dishes, in spite of a recent government edict banning the unauthorised sale of such dishes, is another affront to MPT control.

In Beijing alone, some 70 private paging firms are operating, and there are at least 300,000 pager users in the capital.

In Beijing alone, some 70 private paging firms are operating, and there are at least 300,000 pager users in the capital.

his city under which foreign operators would invest in building and operating a new network.

Mr Huang's remarks were quickly denied by officials of the ministry of posts and telecommunications (MPT) which periodically seeks to dampen expectations of an early lifting of the ban on foreigners becoming involved in the telecommunications business - either as equity partners or in a man-

agement role.

phones per head of population, the pager market is virtually untapped.

Champion representatives

say that while the company has a 40 per cent stake in the Sichuan network, it will have no direct management involvement in its joint venture with the local Sichuan branch of the MPT and the People's Liberation Army.

This "joint-venture" arrangement could become a model for other such ventures, although it is hard to believe Champion, with its 40 per cent stake and US\$30m investment, will either wish to, or be able to, exercise management decisions.

MPT also has a battle on its hands with powerful domestic forces agitating for the right to establish a second national telecommunications network. Three ministries (electronics, railways and electric power), together with the People's Bank of China and the People's Liberation Army, among other enterprises are working behind the scenes to break MPT's monopoly.

MPT officials say they are doing their best to meet huge demand for new services, and have outlined ambitious plans to improve the network. China, which has one of the world's lowest per capita ratios of telephone lines - at the end of 1993

number had reached about 18m for a population of 1.17bn - plans to increase the number of lines fivefold to 100m lines by 2000.

Wu Jichuan, China's minister of post and telecommunications, said recently that by the end of the decade China planned to achieve "telephone penetration" of 35 to 45 per cent (of families) in the larger cities. At present fewer than one in 10 urban families on average has a telephone.

MPT has budgeted for this year, an increase of 24 per cent over 1993, but given the ministry's vast responsibilities investment available for telecommunications is clearly inadequate.

Among MPT's priorities is to extend its network of large and medium-sized satellite earth stations to all provincial capitals by early next century. Some 15 such facilities are either operational or are under construction.

China also plans to increase the number of satellites in orbit, and to make greater use of other international vehicles.

According to a China Daily article, by the year 1995 China will be using seven communications satellites, including two Chinese-made Dongfanghong-11's, each equipped with 24 transponders.

Tony Walker

## MALAYSIA

## Victim of success

In the first half of 1993, sales of mobile phones in Malaysia were averaging about 1.5m per month. But after a surge in the Kuala Lumpur stock market, brokers started giving mobile phones to their bigger clients. The result? Mobile phone sales leapt to more than 15,000 a month end, along the way, the shares of companies involved in mobile phones soared.

However, business growth has created problems. Many mobile phone users now complain that they are finding it increasingly difficult to find numbers. The companies complain and the government insists that the problems in the system will soon be rectified.

Malaysia's gross domestic product has expanded by more than 8 per cent in each of the last six years. Similar growth is expected this year.

The difficulties in the mobile communications sector are common to many areas in Malaysia. The country is having difficulty managing its success. Congestion and bottlenecks threaten growth.

There is an urgent need for the government to formulate an overall telecommunications policy; if not, development could be hampered.

Malaysia has been one of the first countries in Asia to prioritise its telecommunications industry. In the mid-80s Telekom Malaysia, the telecommunications utility, became a corporation. In late 1988, 25 per cent of the company was floated on the Kuala Lumpur stock exchange. At the end of 1993, Telekom had a market capitalisation of M\$43.5bn (\$16.3bn) and was ranked as the second biggest listed company in Malaysia.

In the year to December 31, 1992, Telekom had pre-tax profits of M\$1.27bn - an 18 per cent rise over the previous year's figure. While Telekom still has a monopoly on many services, the government has made it clear that it wants more competition to be introduced into the sector.

The cellular market has been opened to three companies besides Telekom. The biggest, Celcom, now has an estimated 60 per cent of the cellular phone market. Over the next 12 months Celcom

says it aims to increase its number of subscribers from 200,000 to more than 500,000. But Celcom has to sort out congestion problems on its network. If not, two new competitors, Mobikom and Rinar, are likely to enter the market.

The government has suggested that a second carrier network will be allowed to start operating. Already Celcom has been granted so-called second international gateway rights - allowing it to set up an international service to rival Telekom's.

Other companies - such as Sapura, a manufacturer of a wide variety of telecommunications equipment - are expanding aggressively over-

The government is unlikely to allow Telekom's position as network carrier within the country to be challenged, at least not in the medium term. Officials have sought to assure Telekom investors that massive investments made in upgrading the domestic network will not be jeopardised.

Kieran Cooke

## HONG KONG

## No escaping the call of duty

They have been formally banned from cinemas, and top-ranking restaurants will remove them before the aperitifs arrive. But in all other daily activities - on the buses and underground trains, in the gyms and at the noodle stalls, in banks and post office queues - there is no escaping the call of the mobile phone.

Telephones and staying in contact appear to be as embedded in the Hong Kong culture as eating and karaoke. Last year the colony's 6m population spent 1.51m minutes on (outgoing) international calls, some 40 per cent of which were to China.

More than 85 per cent have telephones; and analysts reckon around 5 per cent have cellular phones. According to Hongkong Telecom, there are 1.24m pagers on the streets, alerting people to messages as well as stocks and racing information.

"A lot of local people are entrepreneurs, and they have

to keep in contact with others while on the move. Second, there is a strong fixed line infrastructure in Hong Kong which has cultivated a strong telecommunications culture," says Mr Carl Wong, telecoms analyst with Wardley James Capital.

The fixed line infrastructure, courtesy of Hongkong Telecom - which next July loses the monopoly to provide local telephone services - is so strong that analysts reckon the scope for head-on competition will be pretty thin. Not surprisingly, the competitors-elect disagree.

Hongkong Telecom, 57 per cent owned by Cable and Wireless, charges residential users HK\$39.30 a month for the line rental plus HK\$9 a month for the rental of the equipment itself. But after that, every thing - bar international calls - comes free of charge, including all local calls.

Further undermining the argument for commercial competition, anyone setting up in

the local loop network generating international calls has to pay Telecom 22 per cent of the international revenues for delivery of the international part. Hongkong Telecom retains its monopoly on international services - the area which generates the bulk of its profits - until 2000.

Mr Peter Howell-Davies, deputy chief executive of Hongkong Telecom, says early market research suggests the company's plans to launch a video on demand service will be well received. Telecom is launching a pilot scheme in July this year: all being well, a full service will be rolled out in early 1995.

The company has also applied for a cable TV licence



There are 1.24m pagers on the streets of Hong Kong

with effect from June 1995, when Wharf's exclusive franchise expires.

It is the first time the fixed wire telecom market has been opened to a lengthy review. The government believes that competition will reduce costs for consumers, who will be able to save HK\$1.7bn in real terms over the next 10 years. Last December it unveiled the names of those whose bids to operate competitive local services against Hongkong Telecom had been successful: Hutchison Whampoa, Wharf Holdings and New World.

All three are big conglomerates, better known for their involvement in property than telecoms.

Hutchison Whampoa - barely a month before the government's decision - decided to write off its ailing UK OT2 business and clarify its exposure to the Personal Communications Network, a digital mobile-based system for two-way mobile communications.

The write-off cost Hutchison HK\$1.42bn - which was coincidentally offset by profits made earlier in the year on the sale of Star TV - and the company vowed to plough some HK\$1.5bn capital into its PCN operations over the next three to four years.

All three companies plan to enter the market with big budgets to fuel their proposals for large-scale fixed-line networks,

and have looked up with big-name partners to assist them in cashing in on the new market.

Hutchison Communications is a joint effort with Telstra, Australia's state-controlled telecommunications giant; Wharf Holdings has teamed up with Nymex (US) to create New T&T Hong Kong, and New World Development has a 55.5 per cent stake in a consortium made up of Info Telecom Asia, US West and Shanghai Long Distance.

Wharf is spending HK\$36bn on top of the HK\$5bn for Wharf Cable; Hutchison has earmarked HK\$5.5bn and New World Development's initial investment is around HK\$5bn.

The companies themselves believe there is money to be made by competing head-on with Hongkong Telecom, and are looking at all the non-international services provided by the existing provider as fair game for competition.

The HK\$1.5bn monopoly

must be approved by China, which regards sovereignty in 1997, and all three companies plus their partners are now swatting the green light from the Joint Liaison Group.

Ironically, the government says the JLG should be discussing the issue of licences to the newcomers around March - the time when Mr Chris Patten, governor, is due to lodge the controversial parts of his democracy bill to the Legislative Council.

The four cellular operators - Hongkong Telecom, CSL, Hutchison, Pacific Link and Smart Tone - are expected by some 15 participants in the paging network and three CT2 operators.

For Hong Kong's movers and shakers, spending around US\$1.00 to US\$1.50 on a piece of equipment that will ensure they can always be reached and stay in touch with their is a small price to pay.

Louise Lucas

# FT Asian-Pacific Telecommunications Analyst

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## ASIA-PACIFIC TELECOMMUNICATIONS IV

## JAPAN

## On course for multimedia age

For the past few years, telecommunications companies have watched anxiously as their US counterparts moved swiftly to lay the foundations for a new era of advanced communications.

While US companies in the telecommunications, cable TV and entertainment industries joined hands in one cross-border deal, another, Japanese operators and equipment suppliers have grown their country's delayed entry into the race to develop advanced information networks.

The ministry of posts and telecommunications, criticised in the past for its bureaucratic approach, has now recognised the need to improve the regulatory environment and has put Japan firmly on course for the coming multimedia age.

Last month, Mr. Takenori Kanazaki, minister of posts and telecommunications, indicated the government's intention to speed up the development of information communications networks as a key element for the future Japanese economy.

The multimedia market in Japan, Mr. Kanazaki declared, was expected to create 2.4m jobs by 2010 and could be worth ¥123,000bn (\$1,138bn) by that time, making it comparable to the motor, electronics and communications equipment industries.

To promote the development of advanced information networks, the ministry plans to

support the laying of an optic fibre infrastructure nationwide and wants this to be completed by 2010.

Rules will be relaxed to create an environment more conducive to the development of new businesses taking advantage of the info-communications networks.

The ministry is also examining policy and technical issues that need to be addressed before it can give the go-ahead for the integration of telecommunications and broadcasting services.

Growing alarm that Japan is being left behind by the US in the race to develop advanced telecommunications systems has spurred the ministry to take action. They have a number of

On the broad policy front, the ministry will fund the laying of the proposed advanced communications network, and will also fund the laying of the proposed advanced communications network, and will also fund the laying of the proposed advanced communications network.

On both points it is in direct opposition to NTT, the former public telephone company which was privatised in 1986 and which, in spite of liberalisation efforts by the ministry, still dominates the industry.

NTT believes it should build the network and has stated its plan to lay optical cables to all private homes by 2010. In March next year, NTT plans to begin digitisation of switches throughout Japan, an essential part of the multimedia infrastructure.

The company wants to retain

**The multimedia market in Japan is expected to create 2.4m jobs by 2010 and could be worth ¥123,000bn (\$1,138bn) by that year**

its leading position in telecommunications and believes that because it will have to manage the network, it should be allowed to build it.

The ministry disagrees. It says the private sector builds an advanced communications network, it fears the ministry may not be best served. The ministry is concerned that private companies, driven by profit considerations, could lay optic fibre only where they can expect satisfactory returns.

The differences between the ministry and NTT are on the issue of who should be able to provide a nationwide high-speed highway.

NTT surprisingly, NTT is keen to use its dominant position as a carrier to provide new services beyond its conventional telephone operations. In addition to high-speed communications services, the company is eyeing markets for video communications, interactive games and video shopping.

NTT will co-operate with a diversity of industry players as it explores the vast potential of these arenas," the company says.

However, NTT's activities are strictly regulated by the NTT law, which stipulates that the company may not engage in businesses outside telecommunications and other closely related activities.

The ministry of posts and telecommunications is wary of NTT becoming too dominant in these industries. So, unless the law is revised the telecoms giant will be limited from using any new network it builds to provide cable TV and Mr Masashi Kojima, the company's president, publicly

by the telecoms authorities.

Neither is it clear what uses consumers will want to make of the high-speed capacity and interactive functions offered by the new information highways.

Meanwhile, the ministry is also being taken in the mobile phones industry to allow greater competition and more diversified services and to pave the way for the advanced information communications infrastructure. As in the cable TV industry, most of these involve the relaxation of ministry rules which are blamed for inhibiting growth in this industry.

For example, the ministry is liberalising the cellular phone market further by allowing three new entrants into the market in April. Handsets, which have to be rented by an operator, will be allowed to be sold, leading to greater competition and lower prices.

Such long-awaited steps are expected to trigger significant growth in Japan's cellular phone market, which in spite of being the second largest market after the US with 1.8m subscribers, has a low diffusion rate. Only 1.8 per cent of Japanese use mobile phones compared with 4.4 in the US and 7.9 per cent in Sweden, according to a report by S.G. Warburg, the securities company. Deregulation which will lead to greater competition and price reductions, is expected to make Japan one of the world's fastest growing markets.

Michio Nakamoto



Ministry rules have spurred growth in Japan's mobile phones industry

## AUSTRALIA

## Metamorphosis in progress

Like so much of Australian industry, the telecommunications sector is in a state of upheaval as it moves from a regulated, government-controlled environment, into the world of competition and free-market economics.

Five years ago, the industry was made up of three principal entities, all wholly-owned by the federal government. First, there was the Australian Telecommunications Commission, which provided the nation's telecommunications services. Then there was the Overseas Telecommunications Commission, or OTC, which provided international telecommunications services.

Finally, there was the long-making Ansett, which was responsible for the country's satellite communications services. Ansett had been set up as a space-based competitor to Telecom but, for a variety of reasons - including inadequate funding and regulatory restrictions - had effectively failed in its task.

Today, the industry's structure has changed radically - although it will be another three and a half years before the metamorphosis is complete.

Telecom and the OTC were merged in February 1988, and last year adopted the new legal name of Telstra Corporation. The organisation still trades as Telstra in its domestic market, but as Telstra in the international market.

At present, Telstra remains wholly-owned by the federal government, and the notion of a wholesale privatisation of the organisation is politically contentious. Both Australia's powerful union movement and the Labor Party caucus have been strongly opposed to this and in the run-up to the 1993 election, Paul Keating, the Australian prime minister, formally pledged that Labor would retain Telstra as a publicly-owned enterprise, if elected.

However, under its American chief executive, Frank Blount, Telstra does seem to be nudging its way towards the private sector, and most commentators believe that some private sector involvement is inevitable in the medium to longer term. There has been talk more recently of floating off parts of the organisation - say, some of the international interests or the fledgling cable operation - or bringing in joint venture partners in a limited basis. Such schemes would help to fund expansion, it argued, without draining public funds.

Meanwhile, Optus was

in Optus for Australia - which A\$500m was paid up. Optus is now a public company, and its shares are listed on the ASX. It is expected to become a division within the Telstra group.

Optus began its life by competing against Telstra in the cellular telephone market, but by December 1992, had expanded into long-distance services. In 1993, a series of high-profile ballots took place in Australia, giving customers a well-publicised opportunity to switch carriers. Although response rates varied between different cities, Optus saw a very encouraging reception in some areas - gaining up to a fifth of the Sydney market, for example.

At present, then, Australia operates a duopoly. This, however, is expected to be an interim arrangement only, and the government is expected to introduce full competition by mid-1997. Optus, which began life by leasing existing Telstra capacity from Telecom for about 90 per cent of the traffic, is expected to be 90 per cent independent by this stage. The company has talked of a A\$4bn investment plan, to

**There is little doubt that growth in the Australian telecommunications market is coming on the international side**

make its long-distance service accessible to all Australians, and to bring its cellular services to a large portion of the population.

Finally, the most recent development on the deregulation front has been the opening of the mobile telephone market to a third carrier. Vodafone of the UK. The company began to offer digital mobile telephone services in Sydney, Melbourne and Canberra last October, and is expected to extend its network to accommodate about 95 per cent of the population by 1996.

Vodafone's entry was timely. Telstra and Optus had snared around 90 per cent of the mobile phone customers on their analogue networks, but this system was reaching saturation. It is now being phased out by Vodafone.

The two domestic rivals had introduced digital services earlier in the year, ahead of Vodafone's arrival, but the new system had been slow. Vodafone's aggressive entry was seen as a major boost to the flagging digital market.

More broadly, there is little doubt that growth in the Australian telecommunications market is coming on the international side. International traffic expanded by around 70 per cent between 1988/89 and 1991/2, while domestic traffic rose only 20 per cent in the same period, according to a Bureau of Transport and Communications Economics report last year.

The report suggests that, assuming "only modest growth in the world's major economies", international traffic from Australia should continue to grow at around 15-20 per cent annually in the years ahead.

Nikki Tait



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## RECRUITMENT

# JOBS: Putting finance directors in their place is no longer as straightforward as before

## It's all changing in the Footsie shuffle

Job shuffling among finance directors in Footsie 100 companies appears to be establishing a discernible pattern.

As Caradon, Redland and Prudential all seek to fill finance director vacancies, what might have seemed straightforward musical chairs is developing more complex characteristics as companies and individuals embrace fundamental considerations about the general role of the finance director.

City headhunters are reporting an increasing desire among large employers for more rounded career profiles among potential finance directors. They want strategists as much as they want accountants. The days of the boardroom number cruncher whose main concern is a polished set of accounts now seem to be on the wane.

Gerald Corbett, the outgoing director of finance at Redland, about to move to Grand Metropolitan in April, and Archie Norman, who was finance director of Kingfisher before becoming chief executive of Asda in October 1991, are cited as the new role models for a changing breed.

That share prices fell in both companies after the announcement of Corbett's move served to underline the belief that a change in finance director is an important and sensitive event.

The moves appear to support a

dance collected by Sir Geoffrey Owen, Professor Peter Abell and Mike Cram at the London School of Economics. Their recent report, *The Changing Role of the Finance Director*, carried out for the Board of Chartered Accountants in Business, identified a desire for finance directors to have broader business responsibilities.

Most of those surveyed said that the job would become more entrepreneurial. At the same time the report found that the role was becoming increasingly demanding with more complicated functions.

This is not to say that traditional qualifications are no longer valued. An accounting background and a degree would be considered essential by most leading companies. According to Carolyn Radcliffe of Spencer Stuart, the ideal CV for a financial director in a top public limited company might show combinations of accountancy, an MBA, treasury qualifications and experience as a strategy consultant. "They could have a grounding in any of these four areas but qualifications in two of them might be expected," she said.

She added: "There are still lots of people running big companies with few or no qualifications but it's a dwindling group."

The corporate finance route is still there but it appears to be becoming less fashionable. Philip Hampton, who joined British Steel from Leazards in 1991 and Patrick Dayton, who went to English China Clays from Schroders in 1992 are two examples of younger men who made the transition.

John Hignett, whose retirement from the main board of Glaxo was announced this month, was in his mid 50s when he made the move a few years earlier.

Hignett's corporate finance background as a managing director at Leazards Brothers merchant bank and a former head of the City's Takeover Panel was considered by some as an atypical preparation for such a post even then. Glaxo took a year of soul-searching, including advertising the post in *Financial Times*.

board, allowing John Coombe to slot into the role. Coombe now absorbs the rest of Hignett's duties, covering management and investment of corporate funds.

Not all moves are achieved so smoothly. Reports by recruiters of more boardroom

pipeline may lead to some discomfiture for headhunters, operating in secrecy, are looking for replacements. In practice the unfortunate incumbent is often alerted, either intentionally to soften the blow or by a tip off on the board.

Headhunters Norman Broadbent say that filling the post of finance director is the most sought-after requirement for top professional recruiters at present.

As companies seek to refocus themselves some finance directors

such as Daniel Cohen at Caradon and Michael Pragnell at Courtaulds have changed roles to adopt other board responsibilities. Movement inevitably creates a knock-on effect in the market for leading executives and the emergence from recession is increasing confidence not only in companies preparing for growth but in individuals who have been positioning themselves for a career leap over years of inactivity. Playing Footsie with finance directors may have only just begun.

The table (left) shows a selection of findings from Day Associates' latest quarterly survey of pay and benefits in City of London banks. Caradon earlier this month, it covers data on 310 jobs in 120 banks and finance houses. The full report, price £250, can be obtained from Joe Clark at Suite 2.31, Whitechapel Technology Centre, 75 Whitechapel Road, London E1 1DU. Tel: 071-375 1897, fax 071-375 1723.

The first three columns refer to people at the various stages of rankings in the same type of job, followed by the average salary and the percentage of salary that would typically be added as a bonus. The final two columns show the allowances people in each post with allowances and how much these are on average.

Richard Donkin

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Average bonus %	Car allowance with £ a year
Corporate finance head	100,000	103,500	140,432	127,619	22.3	6,975
Capital markets head	90,250	118,297	170,000	126,582	24.4	7,305
Bond sales head	75,500	100,000	160,000	118,730	24.8	5,820
Fund management director	82,500	105,300	120,000	107,210	31.1	7,433
Eurobond trading head	75,500	95,777	127,500	100,548	31.0	5,710
Equity trading head	70,000	95,500	127,000	98,095	10.9	4,500
Private banking head	71,000	74,000	125,000	90,444	24.8	6,882
Head of research	73,500	82,500	105,000	87,153	30.5	5,980
Financial director	62,000	75,765	98,000	81,972	18.4	6,164
Chief financial officer	68,340	76,250	96,766	77,455	36.9	6,041
Legal services head	57,805	69,250	80,000	71,900	18.7	6,844
Personnel director	55,000	70,000	90,000	68,927	24.2	7,767
Money markets head	54,750	62,824	85,000	69,231	29.0	6,217
D-P director	52,272	55,587	63,712	58,223	12.4	6,786
Credit manager	36,000	40,442	46,000	41,745	11.7	6,083
Customer services head	23,900	31,848	37,000	31,235	7.8	5,500

Source: Day Associates, Suite 2.31, 75 Whitechapel Rd, London E1 1DU. Tel: 071 375 1897, fax 071 375 1723

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New influential role for a seasoned banker to join the inspection team of this successful bank. The group has grown impressively and has an asset base of c. \$1bn with operations in 30 countries. It is a very substantial competitor in its chosen market, with a concentration in retail and commercial credit and trade finance. The group has a number of constituent banks and standardisation and systematisation of operations is key to continued successful development. The role involves very substantial travel.

**THE ROLE**  
■ Responsible to the Chief Inspector for a programme of rigorous, yet sympathetic, inspection of the bank network.

■ Working independently in analysing, concluding and formally reporting results and proposing remedial actions. Following up inspections to ensure effective implementation of recommendations.

■ Dealing directly with senior Group and subsidiary Head Office management.

**THE QUALIFICATIONS**  
■ High calibre, record of success in a blue-chip bank. Broad experience in a range of line, staff and administrative operations in international banking. Working French and computer skills desirable.  
■ Experience of inspection desirable. Ability to analyse and sustain relationships with a broad range of people. Administrative detail with the capacity to assimilate complex trans-national legislation.  
■ Personality and stature to deliver excellent services while operating independently. Robust and with a taste for interesting travel.

London 0203 397774  
London 071 493 1236  
Manchester 061 499 1700

**Selector Europe**  
Spencer Stuart

Please reply with full details for consideration to: Selector Europe, 16 Cornhill Place, London EC3A 3DP

### OPPORTUNITIES IN EQUITY SALES

London

Our client, a prestigious US global financial services firm, is now looking to strengthen its equity sales team.

#### US EQUITY SALES

This role will focus on selling US equity research and new issue products to UK institutional accounts.

The ideal candidate will have two years' experience in equity sales with a major US securities firm. In addition to proven relationships with institutional clients, you must also demonstrate an extensive knowledge of the US stock market and experience of company research.

#### EQUITY DERIVATIVES SALES

The brief here is to recruit an Equity Derivatives/Portfolio Trading Salesperson. Of graduate calibre with a high level of

technical ability and computer literacy, you must have four to six years' background in international equity derivatives products and portfolio (program) transactions. Experience in sales and/or portfolio management, computerised investment analysis models, asset allocation, and the buying side of portfolio management will also be important. The rewards and benefits for both posts will be fully commensurate with our status as a major global player in the financial services market.

To apply, please write with a full CV quoting ref: 827 and clearly stating which position you are interested in, to: Alistair Lyon, Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4HS. Please state any companies to which your application should not be sent.

ASSOCIATES IN ADVERTISING

### Marketing Officer Institutional Investors

Banque Nationale de Paris is one of the world's largest banking organisations, actively participating in a full range of international financial operations.

We now wish to recruit an experienced Marketing Officer to work within our Corporate Banking Division, maintaining and developing relationships with large institutional investors.

The ideal candidate will be a qualified banker aged between 28 and 35, having acquired at least 11 years' relevant marketing experience with a prestigious organisation. A broad knowledge of investment products, good personal presentation and effective communication skills at all levels are essential.

A competitive salary and normal banking sector benefits will be offered.

If you have a successful track record in this area of business and feel that you can make a positive contribution to our organisation, please write with full career details to Paula Keats, Personnel Manager.

Banque Nationale de Paris p.l.c.,  
PO Box 416, 8-13 William Street,  
London EC4P 4HS. Tel: 071-885 1711

**BNP**

### STRENGTHENING OUR COMMITMENT TO EASTERN EUROPE

#### Substantial expatriate packages

The Chase Manhattan Corporation, with over \$100 billion in assets, is a global financial services company accessing all the important world markets for clients as they raise capital, invest, move and manage their financial assets. As opportunities unfold in the new economies of Eastern Europe, Chase is committed to bringing them to clients through its 20 year presence in Russia, a new office planned in Poland, a joint venture bank in Kazakhstan, a representative office in the Czech Republic and of course, its specialists across the globe. As Chase reinforces and expands these activities to face the challenges that these emerging markets offer, the Bank is seeking positions at vice-president level for energetic professionals who can combine judgement and local knowledge with a sound understanding of western banking fundamentals.

#### MOSCOW

##### CORPORATE FINANCE

Reporting directly to the General Manager, and working closely with the Regional Corporate Finance Manager in London, this is one of the most visible roles in Chase's Moscow operation. The role is to identify and structure transactions in order to raise and project finance as well as financial engineering and then manage the implementation of these projects through the bank's network.

The ability to match business potential with Chase's capability is the paramount requirement. In addition to formal credit training, deal origination and execution experience, Chase is looking for in-depth knowledge of the Russian market, and fluency in the language.

#### INNOVATIVE TRANSACTION SERVICES

With an established correspondent banking network and a significant number of relationships already in existence, the potential to both broaden and deepen Chase's penetration of the market for the Bank's payment, clearing and accounts services is undoubtedly huge. Developing the existing portfolio, identifying and judging the viability of new business, and managing the associated credit process, will fall to someone who can point to formal credit analysis and relationship management experience gained within a western banking environment. Fluency in Russian is essential and Chase will also prefer to see a track record of success in the Russian market.

#### WARSAW

##### CORPORATE FINANCE

This position offers the challenge of helping to build Chase's presence in the rapidly developing Polish market. The task is to generate new business

#### Moscow & Warsaw

in trade finance, project finance and corporate lending as well as to explore opportunities for joint ventures and cross border initiatives. Another highly visible position, you will be reporting to General Manager level as well as liaising with Chase colleagues throughout Europe. To qualify, you will have proven skills in origination and executing business across a broad commercial base, and a firm understanding of credit/risk analysis and cross border corporate financing techniques. While fluency in Polish is not seen as essential, an in-depth knowledge of the market is essential.

All of these positions offer the undoubted potential to grow in stature along with the appropriate business function, and they will appeal to men and women who see their longer term future at a level in the global network that is Chase.

Each role will be offered on an equivalent basis with a competitive salary and an attractive range of benefits. Send your CV, together with a covering letter showing how you specifically meet our requirements, to: The Recruiting Manager, Chase Manhattan Bank N.A., Workgate House, Coleman Street, London, EC2P 2HD. Please quote reference DL02/94/FT on both your application and envelope. No telephone enquiries please.

**CHASE MANHATTAN. PROFIT FROM THE EXPERIENCE.**



CHASE

### Austin Friars Securities

Small UK Corporate Finance House seeks 1/2 self-motivated sales persons to place new Equity Issues for small UK and US companies within the European Financial Community.

Ideal candidates should be Members of Securities Institute, with a Broking/Investment Banking background and have a ready-made network of contacts within UK and European Financial centres.

Attractive salary package and incentives

C.V.'s in strictest confidence to: Peter Rickert, Austin Friars Securities Limited 3/5 St. John Street, London EC1M 4AE  
Member of the SFA and Limited Corporate Member of the LSE



### UNION BANK OF FINLAND LONDON BRANCH

#### FOREIGN EXCHANGE OPTIONS

London Branch is seeking to recruit an experienced foreign exchange options specialist to develop a trading capacity in the Nordic and ERM currencies.

Candidates are likely to be in their early to mid-thirties with at least five years experience and a proven track record.

A full remuneration package will be negotiable according to experience.

Written applications only should be addressed to:

David Britton, International Treasurer, Union Bank of Finland  
46 Cannon Street, London EC4N 6LJ

### LONDON BASED PRIVATE INVESTMENT COMPANY FIXED INCOME SALES PERSON

Multilingual, with established client base.

Basic salary with attractive commission structure.

Write to Box 52284, Financial Times, One Southwark Bridge, London SE1 9UL



## TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

## NEWHAM INTER-CITY MULTIFUND

## EXECUTIVE DIRECTOR

## CIRCA £40k + PERFORMANCE BONUS

The Newham Multifund is a group of 50 GPs who have formed a GP Fundholding cooperative to buy high quality health services. It is an exciting venture breaking new ground in health commissioning. An energetic professional is sought to manage and develop the fund in the year.

The person we are looking for will be an experienced manager who can demonstrate excellence in:

- People management
- Financial management
- Negotiation

Ideally the candidate will also have an understanding of GP Fundholding and I.T.

For more information pack please telephone 071 473 1555

Written applications by 7th March to:-

Sylvia Nicholas, 16 Freemason Road,  
Custom House, E16 3NA  
Telephone 071-473 1555

## The Top Opportunities Section

Advertise your senior management positions to Europe's business readership. For information please contact:

Philip Wrigley  
071 873 3331

## MANAGING DIRECTOR

## FOR DALLAS BASED COMPANY

Q-Zar is one of the fastest growing leisure franchising companies in the world, with an annual turnover of US\$50 Million.

We are looking for a U.S. citizen who is an aggressive, dynamic, self-motivating individual to work alongside the company's president.

Applicants should be prepared to take on the day-to-day running of all aspects of the company's operation and to motivate and lead the company's workforce.

Salary and package will be commensurate with the position and experience of the candidate.

Applicants should apply in writing, enclosing a CV, to:

SIAM TRADING LIMITED  
10 Napier Place  
London W14 8LG

## BANKING FINANCE &amp; GENERAL APPOINTMENTS



## ADNOC's ATTRACTIVE BENEFITS INCLUDE

## FAMILY ACCOMMODATION

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## EDUCATIONAL ASSISTANCE FOR ELIGIBLE CHILDREN

## INTEREST FREE CAR PURCHASE LOAN

## END OF SERVICE BENEFITS

## ABU DHABI NATIONAL OIL COMPANY

(ADNOC)

Abu Dhabi is considered the Garden City of the Gulf with excellent living and recreational facilities. ADNOC is one of the major oil companies in the Middle East controlling the Exploration, Production and Processing of Oil, Gas and Associated Products in Abu Dhabi, plus the Marketing of Hydrocarbon products. The Company wishes to recruit suitably qualified candidates for the following positions:

## FINANCIAL SYSTEMS ANALYST

TB FREE SALARY US\$29,300 - US\$ 36,100 P.A., 30 CALENDAR DAYS ANNUAL LEAVE

To participate in studying and analysing existing financial systems, procedures and information flows. To develop systems documentation and instruct on proper utilization of such documents. To develop reports using computer report writing facilities and support users in the development of PC applications. To participate in the production of Systems and Procedures related manuals. To participate in systems testing, modification and enhancement of new current systems. The ideal candidate should have a University Degree in Accounting, Finance or Computer Science with a minimum of 5 years relevant experience preferably in oil or related industries. The position requires proficiency in written and spoken English, highly developed interpersonal skills and ability to work in a multinational environment.

## SENIOR INTERNAL AUDITOR (COMPUTER)

TAX FREE SALARY US\$ 40,200 P.A., 42 CALENDAR DAYS ANNUAL LEAVE

An individual with experience in conducting audits of computer service centers, creating and developing application systems and office automation. The successful candidate should also be capable of assisting the Head, Computer Auditor in his duties and responsibilities to ensure that the Company assets are properly safeguarded, data integrity is maintained, and operations are carried out in an effective and efficient manner. The ADNOC Group of Companies operate large IBM, HP, DEC/VAX and ICL mainframes as well as micro-computers and local Area Networks with gateways. A working knowledge of M&D Millennium is required. Candidates should have a recognized degree and professional qualification, ie CISA, CPA, CDP, ACA with six years of accounting/computer experience with at least five years computer audit experience preferably in oil or related industries.

Qualified candidates should forward their full C.V. with copies of qualifications, salary details (including ages of children) permanent address, telephone number(s) and working references to ADNOC's authorized recruitment consultant: OILTON PERSONNEL LIMITED, P.O. Box 111, Al Khaleel Road, P.O. Box 111, United Arab Emirates. Tel: 0772 884645 Fax: 0772 889002



## Head of Department

## Senior management opportunity in derivatives field

The department is responsible for supervising LIFFE, OMLX, IPE, FOX, LAIE and the London Clearing House which are all "recognised bodies" (RBs) under the Financial Services Act (FSA). Reporting to the Head of Supervision, a Head of this Department is sought to be in charge of six and establish and maintain effective work relationships with the RBs. The successful applicant will lead the Department in fulfilling its responsibilities, in particular:

- monitoring and assessing the RB's compliance with FSA Schedule 4
- assisting in development of standards of regulation for RBs
- monitoring and assessing the performance against their objectives and management plans, and the standards of regulation

- ensuring each RB has an appropriate regulatory plan
- dealing with complaints against the RB's

The position will play an integral part in supporting the Chairman, Chief Executive and Head of Supervision in their relationships with the RBs. Applicants must have a city background either from the markets or from another regulatory role. A clear understanding of derivatives is essential as is proven management and leadership skills. Diplomacy, maturity and the ability to be independently minded are key attributes. Interested applicants should, in the first instance, contact Michael Page City, Page House, 39-41 Park Street, London WC2N 6LH or phone for more information pack on 071 831 2000. Closing date 7th March 1994.



Michael Page City  
International Recruitment Consultants  
London Paris Amsterdam Düsseldorf Sydney

## Datastream International

## Business Analysts

## FINANCIAL INSTRUMENTS C.£30,000 + Benefits City

Datastream is a leading international information and applications. Our systems finally provide a level of quality, reliability and performance which have become our hallmark. In line with our mission to maintain our leading position into the next century, we have embarked on an ambitious programme to replace our Investment Research Applications using leading-edge technology and rapid application development. Datastream is currently looking for Business Analysts who have professional experience in financial management and can help us meet our customers' requirements into successful high-quality products. The successful candidate must also be familiar with most if not all of the financial instruments on which we provide information. Currently Equities, Company Accounts, Indices, Bonds, Derivatives,

Economics, Exchange rates, Commodity prices, Trusts, Financial Futures, Commodity Options. One position specifically requires a knowledge of Bonds. Both positions require confidence and ability to effectively communicate business requirements to more technical developers. Your work experience is likely to have included analysis for a variety of instruments, typically in a variety of research analyst and/or fund management roles. A good degree with further education or experience related to the job. To apply, send your CV to Human Resources, Datastream International, 58-64 City Road, London EC1Y 2AL. Tel: (071) 250 3000 Fax: (071) 253 0833

A PRIMARK Company

## EUROPEAN EQUITIES TRADER

- The European Equity Operation of a recognised market participant searching for an additional Equity Market-Maker to join a team based in London. At present the Desk covers all major European markets and has direct access to all major exchanges through local offices. The European business has expanded and developed significantly in the last year having improved the share of commission and market-making business in Europe.
- The main requirement is for an experienced candidate with good knowledge of the Dutch, German and Swiss Markets in particular, and a successful record of handling large client business and managing risk positions. There would be the opportunity for a Senior Trader to become involved in the day-to-day management of the market-making and activities.
- Applicants should ideally have a minimum of four years experience trading in at least one of the above Markets and have developed knowledge and experience within this Market. They will be expected to be able to work well within a team environment and should be highly motivated with excellent communication skills.
- This position provides the potential to obtain a senior position within a Pan-European Equity Trading team and additionally a chance to join an expanding and highly profitable business. Remuneration will be commensurate with experience and a competitive package is offered.

Interested individuals with the relevant skills should contact: Nick Hudson or Miranda Scott on 071 936 2857, Fax 071-583 6531 or write enclosing a full Curriculum Vitae to: Michelangelo Associates - International Search and Selection, 36 Whitefriars Street, London EC4A 3BH.

Michelangelo

## DEBT CAPITAL MARKETS

Baring Brothers & Co., Limited is seeking to recruit executives for its Banking and Capital Markets department. The department is involved in public bond issues, private placements, structured finance and banking products, arranging finance for a wide range of clients. Successful candidates will gain a broad exposure to the activities of an international bank.

With two or three years' directly relevant experience, candidates should be able to demonstrate enthusiasm, imagination and impressive communication skills. They are likely to be aged 23-26, graduates and/or professionally qualified and should also possess a high degree of numeracy, combined with good analytical and computer skills.

Salary will be negotiable according to experience and the package includes a performance-related bonus.

Applicants should write, enclosing a curriculum vitae and details of current remuneration package to:

Sheila Milbank, Assistant Director, Personnel, Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE.



## MANAGEMENT CONSULTANCY

A.T. Kearney is a large, long established rapidly growing management consultancy. We operate globally and support large multinational clients in strategy and managing change.

We require an experienced Associate to advise on CAD systems for large multinational clients in the manufacturing and construction sectors. A first-class honours degree or equivalent, an MBA and fluency in English, French and Arabic are required, the position will involve working with European multinationals and major involvement in current initiatives to rebuild presence in the Middle East.

A minimum of five years' experience in a leading construction or manufacturing firm is a prerequisite for this position.

We offer exciting work, travel and appropriate fringe benefits. The salary will be above £40,000 plus benefits. In return, we expect considerable personal commitment.

If you are suitably qualified, please write, enclosing your curriculum vitae, to Claire Brennan, A.T. Kearney Limited, Stockley House, 130 Wilton Road, London SW1V 1LQ.

ATKEARNEY



# Corporate Financier

International Merchant Bank

To £50,000 + Bonus & Benefits

City

Opportunity for a talented, young corporate finance executive to join prestigious international bank.

## THE COMPANY

- ◆ Long established, blue chip bank. International and offshore financial services focus.
- ◆ London based activities growing rapidly and profitably.
- ◆ UK activities include domestic and international corporate financing, retail and corporate banking, investment management.

## THE POSITION

- ◆ Join small, successful, highly professional team managing UK and international deal portfolios.
- ◆ Develop, execute corporate deals. Take immediate responsibility.

- ◆ Work closely with colleagues in international network. Build relationships with clients, investors and regulators.

## QUALIFICATIONS

- ◆ Probably aged c.30 with at least 3 years' relevant experience in merchant bank or stockbroker. ACA preferred.
- ◆ Thorough knowledge of Yellow/Blue Books. Must have worked on every aspect of transactions.
- ◆ First class communicator. Thrive in small team. Self-motivated, energetic, rigorous. International and prepared to travel.

Please send full cv, stating salary, Ref N0688 NBS, 54 Jernyn Street, London SW1Y 6LX



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# Director of Sales Finance

Major Defence Contractor

Excellent Package

North of England

Opportunity to join major exporter developing innovative financing packages for large international contracts.

## THE COMPANY

- ◆ Profitable division of large UK plc. High profile, high technology products.
- ◆ Impressive international reputation with many collaborative programmes.
- ◆ Success based on quality, technology and exceptional design capability.

## THE POSITION

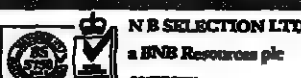
- ◆ Design secure financing packages to support export sales activity. Head divisional treasury function. Extensive travel.
- ◆ Key member of tight negotiating team and divisional finance function. Close liaison with banks, governments, clients, partners and central treasury function.

- ◆ Manage and control exposure of company in export contracts.

## QUALIFICATIONS

- ◆ Record of successful export financing of capital goods gained in banking or corporate position.
- ◆ Graduate with high intellect. Powerful analytical, presentation and negotiating skills.
- ◆ Drive and tenacity, influence and diplomacy. Team player.

Please send full cv, stating salary, Ref MN0577 NBS, Courtbill House, Water Lane, Wilmslow, Cheshire, SK9 5AP



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# I.T. PROFESSIONALS

CAREER OPPORTUNITIES

£ TAX FREE

This is a rare opportunity for ambitious I.T. specialists to advance their career with one of the most prestigious international investment companies - and replace daily commuting with a first class lifestyle in one of the most pleasant parts of the Middle East offering excellent working and living conditions.

The company is carrying out a major programme to develop its systems and database capabilities and extend their applications throughout the organisation. They immediately require the following specialists.

In all cases a degree or equivalent is preferred as is experience in investment, banking or other financial services.

## Applications Development Manager c. £65,000

The task will be to formulate the future I.T. strategy and direct and manage all systems development and implementation. Ten years experience and a sound knowledge of relational databases and networking is essential for this highly technical role. Ref: FT21

## Network Manager c. £40,000

Will interface with the users and lead a team of technicians. Candidates must have experience of 802.3 LANs, DECNET, Pathworks, Novell, fibre optics installations, FDDI and voice-data communications. A knowledge of Windows NT would be an advantage. Ref: FT22

## Senior Analyst Programmer c. £40,000

These are Project Management roles and require a thorough knowledge of SQL and at least one relational database on VMS, plus some exposure to Object Oriented Design. Ingres experience would be a considerable advantage. Ref: FT23

## Senior Office Automation Specialist c. £40,000

Will work closely with and will help and advise users at all levels in the organisation. Extensive experience in a wide range of office automation solutions, electronic and voice mail, image processing and PC packages is essential. Ref: FT24

In addition to the salaries indicated there is free family accommodation, annual home leave, performance and end of service bonuses plus generous allowances for furnishings, car and education.

Please send full career and personal details, in confidence and quoting the appropriate reference, to: Andrew Duncan Associates, Oxford House, Oxford Road East, Windsor, Berkshire, SL4 4AT

**Andrew Duncan**  
ASSOCIATES

# WILSONS

SOLICITORS

## PRIVATE CLIENT PORTFOLIO MANAGER

We are a major firm of solicitors established in Wiltshire for over 250 years. We have achieved a strong reputation for providing a quality service to our clients. We have an exceptionally strong Private Client department with specialist taxation skills and substantial Trust, Probate, and Offshore work.

We have established the Investment and Financial Services Division. The firm and are committed to offering a quality Investment Management service. We now seek a Private Client Portfolio Manager to assist the Head of Division in establishing a Portfolio Management service.

The position requires a flexible attitude coupled with a high degree of professional and personal skills.

The successful candidate is likely to be in his/her thirties or forties, MSI/AIMR qualified, and have worked at a senior level in a large private client stockbroking firm, institution or bank. Candidates should be familiar with modern systems and have a working knowledge of investment and associated accounting practices.

The position will command a competitive salary, performance related bonus and other benefits.

Please apply to:

Mark Allerton  
Steynings House, Chapel Place,  
Fisherton Street, Salisbury  
Wiltshire SP2 7EJ

# Adam & Company

## Investment Manager

Negotiable Salary + Benefits

Edinburgh

Excellent opportunity for an experienced fund manager to join this prestigious private bank.

## THE COMPANY

- ◆ Adam & Co specialises in the discreet management of the banking and investment affairs of its clients.
- ◆ Dedicated to providing the highest quality of service from offices in Scotland, England and the Channel Islands.

## THE POSITION

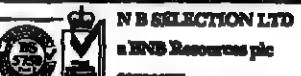
- ◆ Develop and manage client investment portfolios on a discretionary basis.
- ◆ Involved in asset selection and asset allocation.
- ◆ Key member of small, highly professional team.

- ◆ Report directly to Managing Director of Investment Management Company.

## QUALIFICATIONS

- ◆ Graduate calibre, aged 30-40. Investment management background, preferably with private equity experience.
- ◆ Articulate and confident team player with good interpersonal skills.
- ◆ Ideally MSI qualified.

Please send full cv, stating salary, Ref N0702 NBS, 11 Rutland Square, Edinburgh EH1 2BH



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# Corporate Finance Specialist

South Midlands £Negotiable

Our client is an £80 million turnover, profitable, fully listed company with two divisions, Financial Services and a larger Industrial Division. The Financial Services Division, which offers financial management and advice across a range of fund-raising and investment products and services, is now seeking to add further expertise to its team with the appointment of a Corporate Finance Specialist.

The role will involve responsibility for the management of a range of corporate finance transactions for clients, including mergers, acquisitions, disposals, public and private corporate restructuring and related activities. It will also involve the appraisal of investment opportunities, negotiating the investment and managing the transaction. Tasks will include liaison with professional advisors and providing advice and support to the company's Head Office and Industrial Division as required.

The successful candidate is likely to be a qualified chartered accountant, between 28 and 35 years of age, who has a proven track record in managing a range of transactions within a merchant bank or the corporate finance department of a firm of accountants. Previous experience in marketing and selling such services is not required, but there is a preference for candidates who can demonstrate an ability to identify opportunities.

The position will suit individuals who are flexible and energetic and enjoy working in a loosely structured, fast-moving environment. The analytical and organisational skills are essential, as is the ability to establish credibility with clients.

A salary package designed to reflect experience and ability is offered and excellent personal and career development prospects exist within the company.

Applicants should write, enclosing full career and salary details, quoting B461/94, to:

**KPMG Selection & Search**

3 Cornhill Street, Birmingham B3 2DL

# INVESTMENT OPPORTUNITIES

Scottish Life, a leading UK life insurance company, is looking to recruit investment professionals to its operations in Edinburgh. Founded over 100 years ago the company now has assets in excess of £4 billion and recent expansion has led to new opportunities within the investment area.

## INVESTMENT MARKETING EXECUTIVE

We are seeking an experienced marketing professional to assume responsibility for all aspects of marketing and promoting the Company's investment expertise. This is a challenging new position and an opportunity to make a major contribution to the Company's development. Candidates should have a strong investment background, good communication skills and a proven record of successful marketing to intermediaries.

## INVESTMENT ANALYSTS

We are looking to recruit experienced equity analysts to the Japanese and UK desks. This is an excellent opportunity for analysts with 2 or 3 years experience to join a small team and make a significant contribution to the respective portfolios.

Those appointed will assume responsibility for a number of areas within these markets and will be expected to work closely with the Fund Manager in developing portfolio strategies. Candidates should ideally be members of the IIMR or equivalent and will be able to demonstrate a sound knowledge of equity investment.

The successful candidates for all positions will enjoy a fully competitive remuneration package which includes mortgage subsidy, non-contributory pension and private health insurance. Please apply with full CV to: Mr L.H. Beattie, Chief Investment Manager, The Scottish Life Assurance Company, 19 St Andrew Square, Edinburgh EH2 1YE.

**Scottish Life**  
The Scottish Life Assurance Company

## SENIOR TRADER

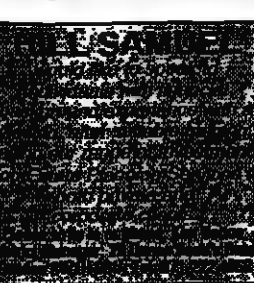
Multi-Lingual Trader

Based in English, and with knowledge of at least three of the following languages: French, German, Italian, Spanish, Dutch and Polish, is sought for a trading company based in Central London.

Applicants should have at least five years' experience of trading (certified) with East European markets, and have an understanding of relevant cultures.

A knowledge of law would be an advantage.

Write to Box 12285, Financial Times, One Southwark Bridge, London SE1 9EL.



## INTER DEALER BROKERS

Gift brokers required. All levels of experience. Please send CV to:

Box 12287, Financial Times, One Southwark Bridge, London SE1 9EL.

# Corporate Finance Executive

Insurance Sector - New Business Development

As one of the leading UK merchant banks, we advise many international groups on a full range of corporate finance transactions.

We are now seeking an exceptional executive to join a team within our Corporate Finance Division which focuses on new business development within the insurance industry.

Key responsibilities include sector research, analysis and valuations with a view to developing creative corporate finance ideas for a growing base of insurance clients. The executive's role will involve a high degree of contact with international financial services and insurance groups.

Successful applicants will be mid/late 20s with a good understanding of the insurance industry. Knowledge of the regulatory environment and valuation techniques

would be helpful. Graduates and professionals with a minimum of one to two years' relevant insurance sector experience will be considered.

In addition to excellent written and oral communication skills, experience of working to tight deadlines and the ability to work within a team are essential requirements. Experience of preparing written and graphic presentations and fluency in a European language would be advantageous.

We offer a competitive salary and benefits package.

To apply, please write enclosing your CV and details of your current earnings to: Lorraine Rogers, Assistant Director, Corporate Finance Division, Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA. Telephone: 071-480 5000.



**HAMBROS BANK LIMITED**





**ESN Pension Management Group Ltd**

## INVESTMENT MANAGEMENT

ESN Pension Management Group Limited manages pension fund assets of £1.2 billion for the electricity companies in England and Wales, as well as offering full discretionary fund management to pension funds generally. ESN PMG has a highly creditable performance record over the long term and offers its existing and potential clients a sophisticated approach to asset allocation and stock selection combined with a superior standard of service. As a result of continuing expansion of its business, we now wish to enhance our investment team by the appointment of two additional Fund Managers.

### FIXED INCOME

A Senior Fund Manager is required to take full responsibility for Bond portfolios of £100 million, comprising UK Bonds, Overseas Bonds and Index Linked funds. The ideal candidate must be able to demonstrate proven competence in managing global bond portfolios and is unlikely to have less than 10 years' experience. Strong communication skills will also be important.

### SOUTH EAST ASIA EQUITIES

A Fund Manager is being sought to manage some £100 million invested in Asia outside Japan, and Australasia. Candidates must be able to demonstrate proven competence in the above markets, based on 10 years' experience. The successful candidate will be self-motivated and capable of accepting discretionary responsibility for the funds.

Based in Victoria, these positions offer the opportunity to join a progressive and ambitious team, dedicated to building a successful investment group. An attractive salary, plus bonus and benefits will be offered.

For further information, please contact our Consultant, Michael Symon, at the address below.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants  
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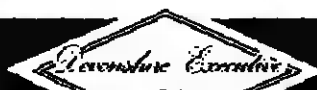
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## ACCOUNTANCY COLUMN

## Duty to report may not put the heat on fraudsters

Andrew Jack examines the debate on the role of auditors in detecting and acting on corporate crime

To listen to Mr Martyn Jones speak, you might think he was arguing from the Commons benches in the House of Commons for a motion on hanging on Tuesday, then commenting from the solitude of his office on the debate about whether it is regulators.

"In some countries they take fraudsters out and shoot them," he says. "Here what do we do with them? They live the life of Riley, their changes are made before trial, their expenses are paid, they go on bail, their sentences are ludicrously short, their wives live well while they're inside, and they find the money they've stolen, and they live an unrepentant accounting course to go to jail."

Behind the rhetoric, Mr Jones, auditing partner with Touche Ross, is raising some important questions about current approaches to corporate fraud detection and prevention in the UK.

His criticism has been triggered by the changes in parliament last week that have led to new statutory instruments requiring auditors to report any fraud they detect to the regulators of banks, building societies, insurance companies and the financial services industry.

The legislation was introduced in the wake of the Bingham report into the closure of the Bank of Credit Commerce International. It suggested that the existing right in law to report fraud should be enhanced into a formal duty.

Some are sceptical of the new amendments. They argue that auditors do currently alert regulators to fraud, either directly or more commonly through the more discreet route of putting pressure on their client to do so themselves.

The problem is not in communicating with regulators, fraud has been discovered, but in identifying it in the first place. In other words, auditors are very often unable to detect fraud.

"We can't put pressure on cash, demand powers of search, examine third parties records or premises, focus on auditing related parties, or go behind back doors to see money flows," he says. "In reality, auditors' powers are very limited."

He believes that most frauds require the use of a number of "bit players" to falsify documents or to represent facts which are not the case, and that auditors are rarely present at the time of the fraud. His view is that the punishments for those who engage in fraud are very limited.

There are currently provisions for those who fail to report fraud to the regulators, but these are not a criminal offence. The maximum fine is £5,000, and the maximum term of imprisonment is 12 months.

The only instance to date has been

against Anthony O'Brien of Bestwood, who was convicted last year of making a false statement to an auditor. Charges of providing false information to auditors are also made in the current trials of Mr Nazam Virani of Control Securities and Mr Mohammed Baqi of BCCI. Mr Mohammed Naviede faces a similar charge in the Arrows case scheduled to begin in September.

It seems that the Serious Fraud Office tends to go for "six of the best", concentrating on a few more wide-ranging charges that encapsulate the criminality of a fraud and which carry longer penalties. The risk is that these are harder to prove, and do little to deter the bit players.

There would also be an extra level added to the chain by increasing the existing maximum sentence of two years up to five, and making those found guilty personally liable for any losses caused by the fraud. He says the legislation should also be extended. The law on pension funds carries only a \$400 fine for not providing information to auditors, for example. The regulations on derivatives and for other industry sectors are weak or non-existent. He would like to see the professional bodies take a tougher line.

These views have apparently been received with some sympathy by government. Mr Robert Hughes, head of litigation support at Ernst & Young, supports the idea of the "Nuremberg principles", by which minor players in a fraud would be unable to excuse themselves by saying that they were only obeying orders.

Mr Julian Osborne, secretary to the professional ethics committee of the Institute of Chartered Accountants in England and Wales, is less convinced. He says the institute receives at least two substantive cases a week to its anonymous ethical hotline from accountants concerned about what they have come across. He says that accountants convicted of fraud will always be subject to professional discipline, but that sometimes no trial takes place because the police and revenue authorities may reach a settlement and decide not to prosecute.

But he argues that when the institute investigates, the responsibility should generally fall on the more senior accountants at board level. "That is more equitable," he says. "The others are not in a position of power, and it may not be evidence from the orders they are given that something is deceitful. They may just be told 'this is the way we're going to value stock and don't question it.'"

He would prefer new regulations to protect employees in companies, who currently have none of the guarantees or privileges of auditors such as confidentiality if they attempt to warn their superiors of suspected fraud.

A more sceptical view on Jones' case is that it throws up a smoke-screen to conceal the responsibilities of auditors. Perhaps, as Mr Austin Mitchell, MP for Great Grimsby, suggested in the Commons debate last week, auditors should be under an obligation to detect fraud: a requirement already in place for auditors to local authorities.

Certainly the larger accountancy firms all offer fraud detection

services. For example, Mr Ian Huntingdon from the forensic accounting team at KPMG Peat Marwick says his staff would be likely to detect more fraud than auditors examining a company. He stresses that they are employed for a very different purpose, usually after fraud has been detected, and that the time and costs involved are considerably greater. Others argue that this more antagonistic approach to auditing would jeopardise client trust and openness.

Mr Hughes adds that there are many warning signs in every audit. "In 99 cases out of 100 they are not frauds, and the explanation is honest," he says.

Yet Mitchell's views are not isolated. Mr John Knox, deputy director of the Serious Fraud Office, argued in a speech last year that auditors very often fail to detect fraud. While one reason was the deceptions practised on them, there were many others.

These included reliance on uncorroborated representations from management; failure to identify related-party transactions; failure to understand the nature of the business; and inadequate testing. Auditors were all too often trusting.

Ultimately, it is the fraudsters who deserve most attention and criticism. But in many cases, auditors have spotted the rudiments of the fraud but not drawn the right conclusions. That does not necessarily mean they have deliberately conspired to withhold knowledge of fraud from regulators. But it does mean they still need to think harder about whether they are doing enough to meet the expectations placed upon them.

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Our fast growth in Mail Order and Retail classic casual clothes continues. We need a hands-on Financial Controller who can manage the growth within a dynamic environment. You will be qualified and have several years commercial experience preferably in Retail/Mail Order/Clothing operations. You will also have good reporting and interpersonal skills and the personality to enable you to contribute to our enthusiastic Management team. Naturally the ability to computerised accounting packages and spreadsheets. Age is immaterial, salary negotiable.

Reply to: Cairns, RACING GREEN, PO Box 100, Morley, Leeds LS27 9HT



## Financial Analysis and Control

Exceptional ACA/CIMA/ACCA

London

The Royal Bank of Scotland Group has enjoyed an outstanding year, all of its divisions having moved ahead strongly. Its strategy remains to develop and concentrate on its two core businesses of UK banking and insurance, with some earnings diversification outside of the UK. In the past twelve months the management team has made excellent progress and has a clear strategic direction for future growth.

Due to a recent internal promotion there is a requirement to manage the financial analysis and control function within the Corporate and Institutional Banking Division. The job holder will be a member of a small head office team, with responsibility for supporting the Managing and Finance Directors in reflecting the business strategy in the financial management of the division. Responsibilities will include running the planning process, performance review, the preparation of financial forecasts, budgets, management accounts and the presentation of information to divisional management. This is a highly visible appointment offering influence at a senior level.

The opportunity will appeal to a high calibre qualified accountant with an understanding of the financial business. This will have been gained in a wholesale banking environment alternatively a manager with a financial markets background, within a 'Big 6' firm. You should have the ability to interpret and present financial information clearly at senior levels and have highly developed technical, commercial and PC skills.

Rewards will be commensurate with experience and will include a company car, mortgage subsidy, bonus, profit-sharing scheme and the opportunity to develop a stimulating career within this rapidly developing UK group.

For further information in strict confidence, please contact our advising solicitors, Messrs Hamill & David Craig at the offices of Walker Hamill, on 071-287-6285. Alternatively forward a brief resume to our London office at 25-27 Kingly Street, London W1R 5LB, quoting reference DC 1253.

Committed to Equal Opportunities



**The Royal Bank of Scotland**  
BUILDING THE BEST BANK IN BRITAIN

## GROUP CHIEF ACCOUNTANT

SUCCESSFUL INTERNATIONAL FINANCIAL SERVICES COMPANY

SUSSEX

c.£55,000 + BONUS + BENEFITS

■ Opportunity to join the dynamic financial services arm of a major UK plc with a wide range of business interests and strong international presence, notably in Europe and the Far East.

■ Track record of aggressive growth over recent years and ambitious plans for further expansion, both through acquisition and generic growth.

■ Leading a team of 35 staff and reporting to the Group Finance Director, responsibilities include the timely and accurate provision of internal and external reports and compliance with regulatory requirements.

■ Qualified accountant, probably a graduate, you are likely to be aged between 32-45.

■ Currently working either within the profession, or a blue chip service sector organisation, you will be used to operating at senior levels and managing sizeable teams within an environment that is both fast moving and challenging.

■ Strong analytical skills, international perspective and the ability to manage and motivate teams are prerequisites for the role. With well developed interpersonal skills, your ability to work with people and inspire confidence will have already been proved.

Please apply in writing quoting Ref: 705 with full career and salary details to:  
Susan Ryder  
Whitehead Selection Limited  
45 Webster Street, London W14 7HF  
Tel: 071 637 8755

**Whitehead**  
SELECTION

A Whitehead Group PLC company

**Price Waterhouse**

EXECUTIVE SEARCH & SELECTION

## Group Finance Director

Midlands

Up to £175,000 + Share options + Bonus

Lloyds Chemists Plc has expanded both dramatically and profitably through organic growth and acquisition, with profit before tax increasing by 40% to £49.7 million on sales up by 58% to £802.4 million in the year ended June 1993. To complement their management team, they are looking to appoint a Group Finance Director of the highest calibre.

Reporting to the Chief Executive, your brief will be to make a significant contribution to business and financial planning. You will ensure that the management of the Group will maximise operational control and profit performance. The role carries a significant responsibility for the thrust and direction of the Group's continuing strategy for growth.

The position will necessarily involve a high degree of interface with the City and various financial institutions, and will necessitate excellent 'front line' skills in representing the Group to its best advantage.

Under the direction of the Chief Executive, the Group Finance Director will be called upon to undertake a variety of ad-hoc exercises relating to ongoing acquisitions and profit enhancement.

We would like to hear from qualified Accountants, experienced in Plc Financial Management, who will have an appreciation of a proactive entrepreneurial environment. Experience of the retail sector would be highly advantageous.

You should have a notable track record of success, combined with the desire to take a fast-moving market leader into the future.

Please apply in writing with full career and salary details, quoting reference B/488/94 to Steven French.

**LLOYDS CHEMISTS plc**

**KPMG Selection & Search**

Peat House, 2 Cornwall Street, Birmingham B3 2DL.

## Project Accountant - MIS

Leading edge communications and computing services

c.£35,000 + PRP + car London

Part of a major multi-national group, this new business unit has been established to provide communications and computing services to both internal and external customers. Rapid change and leading edge technology are key features of the business.

A Project Accountant is required to contribute fully to the development of the business and its underlying systems. Major responsibilities will include:

- Reviewing and developing the financial and management information systems and suggesting ways of enhancing their performance
- Project managing MIS systems development initiatives
- Maintaining accounting records and control systems and ensuring compliance with financial reporting requirements
- Producing and developing financial management information
- Financial analysis of the business in order to monitor and improve performance.

To fulfil the requirements of this role, you will need:

- A degree and a recognised accountancy qualification, with a minimum of 3 years post qualification experience
- Substantial experience in developing co-ordinating effective and controlled financial information systems
- Experience of sophisticated IT systems and packages
- Excellent interpersonal and communication skills and the ability to manage in a fast-growing and rapidly changing environment.

This position offers the opportunity to make a considerable contribution to an organisation working towards success in leading edge IT services. Although London based, there will be some travel.

Please write, enclosing a full CV and salary details to Judith Richardson, quoting reference number J/1435 at the address below. Executive Search & Selection, Price Waterhouse, Milton Gate, 1 Moor Lane, London EC2Y 9PB. Tel: 071-939 6345. Fax: 071-638 1358.

## European Finance Manager - Computer Networking Sector

Netherlands Full Relocation Excellent Package Options

Working from the European Headquarters in the Netherlands, the Financial Manager will be expected to take a key role in the strategic business planning process. Understanding the marketplace for SynOptics products and services is key; consequently a high-technology background is essential for the role. We are looking for an individual that can extend the corporate finance infrastructure to Europe - both in general business terms (such as demand and supply) and in specific functional requirements (accounting and facilities). As a result, prior experience with a growing, US parent company is important.

Management of a multi-national team and a pan-European approach to international treasury, legal, tax, audit and MIS matters are likely to be second nature to the right candidate for this role. Excellent interpersonal skills and a desire to progress in an operational direction are required. Education requirements are degree level at minimum, ideally accompanied by professional qualifications, MBA preferred.

SynOptics is one of the fastest growing organisations in the networking sector. To hear more about this highly attractive position please contact our retained consultants, International Network Search, at the earliest possible convenience.

**SynOptics**

- Recognised market leader
- 12 European subsidiaries
- Growth of 81% in fiscal '93
- European revenue > \$200M
- Continued growth forecast

International Network Search  
Dorma House, Guildford Road  
West End, Surrey  
GU24 9PW, UK.

UK Contact Richard Warner Tel: +44 276 855400 Fax: +44 276 855401  
Europe Contact Dean Hickman-Smith Tel: +32 2 716 4853 Fax: +32 2 716 4733

Besseneldstraat 25A  
1831 Diegem, Belgium.

## FINANCIAL REPORTING

Leading International Group  
High profile role for an Accountant of ability  
Central London c.£40,000

My client is a highly respected global market leader with its international headquarters in London where a small, high calibre finance team provides a comprehensive financial service to senior management.

A key requirement is the accurate early reporting of consolidated results and forecasts, initially in summary 'flash' form, with exceptions identified and highlighted. The role includes primary responsibility for the maintenance and development of a distributed financial reporting system. The prompt assimilation of new business segments and thoughtful exploitation of technological advances require both advanced technical skills and understanding.

You would join a team of able young managers whose background, like your own, will include a good degree followed by early professional qualification.

Three to five years' post-qualification experience of reporting in a multi-currency environment will be necessary for this role. We shall also be looking for those who have an interest deeper than standard professional competence, in the application of PC-LAN technology and who have developed management skills.

My client, a household name corporation, offers a combination of immediate challenge and strong career development opportunities in a fast moving international business.

Candidates should apply to: Michael Johnson on 0962 844242 (24 hour service) fax 0962 841998 or write to Johnson Wilson & Partners, Clarendon House, Hyde Street, Winchester, Hampshire SO9 1EX quoting ref: 269J.



**Johnson Wilson & Partners**  
Search & Selection Consultants

## Financial Development Manager

M4 Corridor

£30,000-£35,000+ car

Our client is an innovative, technology led business service provider enjoying considerable success in its international markets. This appointment, reporting to the FD, will focus on the financial review and control of a number of countries in Europe.

Whilst monthly reporting, financial planning and control are key elements, there is as much emphasis on working with marketing and sales teams on all aspects of the commercial development of the country businesses. This will require visits to the business units and involvement with business partners internationally.

Candidates must be qualified accountants, probably 28-35, with demonstrable commercial awareness. Experience should embrace business

analysis, forecasting and planning, including investment appraisal and financial modelling.

They have the maturity, confidence and interpersonal skills to work with and manage management at all levels in this young and dynamic organisation. A high level of computer literacy is a prerequisite and European exposure will be a valuable asset.

The role will support the continuing growth of our client, in a highly competitive global market. It is a challenging opportunity with positive prospects for individual development.

To apply, please write, enclosing your CV and noting current salary, to Mike Smith, MS Selection, Woodhurst, Coldharbour Lane, Pyrford, Woking GU22 8SL. Tel/Fax: 0448 348889.

**MS selection**

## EXCELLENT OPPORTUNITIES FOR FIRST CLASS YOUNG ACAs Launch Into A Career In The City!

**Corporate Finance**  
£24-250,000 pa plus Bonus

We are fortunate to count amongst our clients a top City institution which is a market leader in its specialist areas in which it operates. This prestigious organisation currently has a number of challenging openings for outstanding newly qualified ACAs for 12 months (POE) particularly in Corporate Finance/Investment Banking. First class, personable and sharp commercial awareness. Preference will definitely be shown towards individuals who have gained relevant experience within the profession and those with language skills will also be favoured. Our client believes in promotion on merit and future prospects for those who perform well are excellent.

If you feel you have the qualifications and personal qualities necessary to successfully undertake either of the above roles please contact Fiona Kell on 071-465 4161 (Fax: 071-465 3577) or write to her at FMS, 5 Becon's Buildings, Chancery Lane, London EC4A 3DF, enclosing a recent CV and details of current remuneration.

A MEMBER OF THE FSD GROUP

## The Top Opportunities Section

Advertise your senior management positions to Europe's business readership.  
For information please contact:

**Philip Wrigley**  
071 873 3551



## CS FIRST BOSTON European Audit Group

*Stepping Stone into Investment Banking Career*

CS First Boston's unique global structure has allowed it to develop as a leading force in investment banking, earning an enviable reputation in all major markets. This genuine spread of influence has led to significant competitive advantage and generated considerable growth in business units. Continuing expansion therefore created exceptional opportunities for talented young accounting professionals wishing to develop their careers in investment banking.

### Business Audit

The audit function reports directly to the Chairman and has a uniquely high profile and a particularly proactive brief. This is not a policing function and, as such, the audit team work closely with line managers in Europe. The team change and improve areas of control weakness. Working on an individual project basis, the roles offer excellent exposure to a broad range of product lines and the opportunity to take on significant responsibilities of reporting responsibility. Career advancement into other areas is therefore encouraged as a matter of policy.

Those who would like to talk to qualified ACA's, with up to 10 years' post-qualification experience, seeking a new challenge away from the profession, or advancement from another financial institution. Previous financial services experience is preferable, but not essential.

For all positions, excellent salary and benefits packages are offered, including performance related bonuses. Please send your applications only to:

Susan Wild - Personnel  
CS First Boston, One Cabot Square, London E14 4QJ.

### Technology Audit

A major investment programme is currently under way to facilitate the introduction of a number of global information systems. Therefore, we are looking to recruit an experienced technology auditor to join the specialist team supporting the development of Europe.

The main focus will be reviewing the complex systems under development; and evaluating the impact of new technologies and techniques within the business units and the control environment. In this instance, the requirement is for a systems or accounting professional, who has already gained a clear understanding of this type of activity. Previous banking experience is preferable, together with a technical background in UNIX, VAX/VMS or DB2.

## European Acquisitions Appraisal

Fluent German Speaker

£35,000 to £40,000, Car

Belonging to a major international group, this Company is a recognised industry leader with a record of sustained growth and profitability. Significant development into Europe is a key component of plans to rapidly expand the UK based business with a current turnover of £120m.

An opportunity therefore arises for a qualified accountant with a corporate or professional background to join the senior financial team engaged in the planning and implementation of European growth. Reporting directly to the Corporate Commercial Manager, the candidate will carry out acquisitions and other capex appraisals, and will contribute to business development initiatives. The role requires strong business analysis skills, together with the ability to review strategic plans.

Probably operating in a similar capacity in an international activity, with fluency in German, candidates will preferably have some experience in European acquisition appraisals, and strategic planning. Outstanding commercial strengths will be supported by good communication skills, and the ability to work independently.

Interested candidates should forward a detailed c.v. to: Andrew Satterly, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP, 0753-850851. Fax: 0753-853339, quoting Ref WAS/3548/FT.

**Hoggett Bowers**  
EXECUTIVE SEARCH AND SELECTION

## Finance Director/ Company Secretary (Designate)

Brighton, Sussex c.£30,000 plus Bonus, plus Car and Benefits

Vokins, a successful independent retailer has been regarded for many years as the Brighton department store of repute. Recent retailing ventures also include one of the largest furniture centres in Sussex.

The forthcoming retirement of the current Financial Director and the appointment of a new Chairman has created a key management opportunity within a well capitalised organisation poised for new growth and further development of its existing operations.

Apart from being a Finance professional with a broad understanding of Commercial Accounting procedures, previous Management responsibility not only in Finance but also in Administration, MIS, and Company Secretarial functions would be highly desirable. We are therefore seeking an experienced and qualified accountant, although an exceptional part-qualified would be considered. The right candidate are unlikely to be under 30 or over 45 years of age.

This role presents a unique opportunity and if you consider you have the experience and the interpersonal skills necessary for a challenging role, please submit a comprehensive CV to: Clive Sexton, Hoggett Bowers, 1 Bream's Buildings, Chancery Lane, London, EC4A 3DY, 071 430 9000, 071 405 5995, quoting HCS/3428/FT.

**Hoggett Bowers**  
EXECUTIVE SEARCH AND SELECTION

### Eastern Europe Packages: \$40,000 to \$75,000

Deloitte Touche Tohmatsu International is one of the world's largest accounting and auditing, management consulting, and service firms. Its Eastern Europe practice has developed and expanded significantly in the last three years, and it now employs more than 100 people servicing clients in nine countries through fifteen offices.

In order to accelerate its growth and to meet existing client needs, the firm wishes to recruit experienced and outstanding auditors at different levels of seniority. The positions will be located in the firm's national practices in Russia, Poland, Czech and Slovak Republics, Romania, Hungary, Bulgaria and Slovenia. Individual must be prepared for at least a two year assignment in-market, and it is envisaged that this will lead to further career opportunities within the firm.

Candidates must have an absolute minimum of four years "Big 6" public accounting experience post graduation and be CPAs, CAs, or equivalent. You must also be able to demonstrate an in-depth knowledge of the banking and financial services sector and a solid and successful track record in managing and carrying out audit work in those sectors. English is the common language, and you must therefore be fluent. Language skills, relevant to the region, are beneficial but not mandatory. Experience in practice development/marketing and/or training programmes would be desirable. Compensation and benefits packages are competitive.

If you have the required background and feel capable of handling the unique challenges of a position in this region, please reply in the first instance to Bruce McKay, Executive Selection, Priory Court, 65 Crutched Friars, London EC3N 2NP. Enclose a copy of your resume, quoting reference 3370(UK), together with details of your current remuneration package.

**Touche  
Ross**

Quality People  
Deloitte Touche  
Tohmatsu  
International

MANAGEMENT CONSULTANTS

## INTERNATIONAL FINANCE MANAGER

THAMES  
VALLEY

c£40,000  
+ Quality Car  
+ Benefits

Our Client, a major blue-chip multinational, is widely recognised in the financial sector in its specialist field. With operations spanning nearly 100 countries and a turnover of over £1 billion, comprising many of the world's most prestigious companies, they are looking to bring a truly global perspective to their business.

As a forward thinking and progressive organisation, an exceptional opportunity now arises for an outstanding, high profile manager to impact and move forward the International Finance division. Reporting to the Vice President of Finance, your main brief will be reviewing and analysing global client contracts, discounting policies, pricing and other sensitive commercial issues. For this key high-profile role, the successful candidate will meet the following criteria:

- a qualified, graduate ACA/CIMA/CACA
- commercially minded and able to see the 'big picture'
- robust, enthusiastic, outgoing and diplomatic
- likely to be aged between 28 - 34
- willing to travel up to 20% of your time

This represents an unusual opportunity to immediately impact within a dynamic multinational group and is likely to be of great interest to those commercially aware accountants. Energy, creativity and flexibility are all qualities which will enable you to capitalise on the outstanding long-term career opportunities that exist within this group. These could be either within the UK or overseas.

Interested candidates should, in confidence, contact Andrew Livesey, quoting reference number 1970, at Nicholson International (Search and Selection Consultants), 11th House, 11-78 Kingsway, London WC2B 6AH. Alternatively, your details on 071 404 8128 or telephone 071 5501 for an initial discussion.

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic Hungary Russia

**NICHOLSON  
INTERNATIONAL**

## Young ACA - Expanding International Advertising Group European Financial Controller

Aged c.26-30 Package to c.£40,000 + Bonus London

Our client is a leading international advertising group, a member of one of the largest worldwide agency groups. It operates through a number of offices throughout Europe and in New York, and is affiliated throughout the world.

The Group is on an exciting major expansion programme, with acquisitions that are likely to triple within the next four years. As a result, a new appointment as a Financial Controller, to be a member of a very 'hands on' headquarters team in London, reporting to and providing support across all to the Chief Financial Officer of the Group operations.

Your main involvement will be reviewing and controlling subsidiary budgets, plans performance; providing sound and timely consolidated reporting to the US parent Group; and diligence support in targeted acquisitions.

addressing treasury and tax issues; and a range of ad hoc projects. The role will require regular travel to Europe (and occasionally the USA) as needed.

You will be a graduate, qualified Chartered Accountant with a pragmatic "shirt-sleeves" approach and a high level of initiative. Possibly, you might still be in the profession, and view this as a broad-based stepping-stone into commerce.

You will be computer literate with a technically sound grasp of group and US GAAP reporting requirements, and possess good inter-personal skills. Previous exposure to the media sector is not a prerequisite, although an affinity with the advertising industry and European "outlook" would be a clear advantage. Additionally, whilst not a requirement, fluency in a second language would be a bonus.

You should write, enclosing a resume together with current remuneration details and daytime/evening telephone contact numbers, quoting reference 402/E on both envelope and resume, to the address below.

Chryssaphes Flammiger Associates, 11th House, 11-78 Hammersmith Road, London W6 8DP.

**C  
F  
A**

CHRYSSAPHES  
FLAMMIGER  
ASSOCIATES

SPECIALISTS IN  
SEARCH & SELECTION  
FOR FINANCIAL MANAGEMENT

## MANAGER OF TAX

Bradford £ Attractive Salary + Car Scheme + Benefits

At N&P we clearly defined culture of teamwork and building long-term relationships has transformed us into one of the UK's most innovative and successful Building Societies.

As our Manager of Tax, you will be responsible for leading the tax team to:

- pro-actively consider the implications of all aspects of the Society's activities
- consider the commercial implications of changes in legislation
- operate the Society's tax policies
- ensure tax compliance

The role will appeal to those who relish the challenge of working in a unique organisation, thrive on change and who are committed to working in a team environment, achieving their best results by working with others.

Applications are invited from ACAs, preferably with ATII, who are currently in a large commercial/financial organisation or in Senior Manager level in an international firm of Chartered Accountants. You will possess at least 5 years' corporate tax experience, preferably including financial services exposure.

As an Financial Services organisation our reward package is flexible dependent upon your skills and experience and comprises a basic element with an additional quarterly payment based upon performance, a flexible benefits scheme, and relocation where appropriate.

We have a no-smoking environment. We are committed to achieving equal opportunities.

Interested parties should write to our retained consultants, Tony Jackson or Mike Bennett of Besant Leslie Thomas, specialist tax recruiters, at the address below, enclosing a full CV and salary details. Alternatively call them on 071 353 (enclosure/weekend: Tony Jackson on 071 585 0075) for an initial discussion.

Any unsolicited approach will be referred to Besant Leslie Thomas without exception.

**BLT**

BESANT LESLIE THOMAS  
NATIONAL & PROVINCIAL BUILDING SOCIETY LIMITED  
62, Ludgate House,  
107-111 Fleet Street, London EC4A 3AB

**N&P**

National & Provincial Building Society

### PROPERTY DEVELOPMENT

## DIVISIONAL ACCOUNTANT

c£30,000 plus car and benefits  
Eastern Home Counties

Our client is a property company with a turnover of circa £12 million and a land bank and property portfolio. It is part of a major building group.

A Divisional Accountant is required to report to a Divisional Director. The selected candidate will be expected to make a significant contribution to the overall management of the division and duties will include being responsible for all financial reporting, providing professional advice on all areas of the division's activities and further developing the computerised systems.

Candidates for this position will be qualified accountants, aged 27 to 35 years. Experience

of commercial property development would be an advantage, but in-depth knowledge of managing an accounting function and developing computerised systems is important. The selected candidate will be accustomed to doing most of his/her work personally.

Attractive benefits include a competitive salary, bonus scheme, 1.8 litre car, life cover and contributory pension scheme.

Please send your career and current salary details, together with daytime telephone number, to Richard Basher, at the address below:

MKA MANAGEMENT CONSULTING LTD  
Tectonic Place, Hollyport Road  
Hollyport, Midenhead, Berks SL6 2YE  
Telephone (0628) 792015  
Fax (0628) 792125

**MKA**



# Finance Director

West Sussex to £50,000 + Car Allowance + Bonus + Options

Our client is a rapidly expanding, \$100+ million turnover, international division of a Fortune 500 US corporation, engaged in the design, manufacture and marketing of leading edge capital equipment for the hi-tech industry. Significant ongoing investment in innovative research and development maintains the corporation's global dominance in a highly competitive sector.

The Finance Director will be responsible for all aspects of financial management, systems development, planning, international treasury, taxation and the maintenance of an effective interface with the US parent company. Particular emphasis will be given to strict control of working capital including close monitoring of R&D expenditure. As a member of the board,

the overriding requirement is to provide a commercial and strategic contribution to the long term, profitable growth of the business.

Candidates, aged 34-44, will be graduate qualified accountants with a proven record of senior financial management experience gained in a US owned, multi-site, high technology, manufacturing environment. Excellent managerial and communication skills, commercial maturity, strong personal presence and high levels of drive and commitment will be essential.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref 180129, to Mark Hurley ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5JH.

Michael Page Finance

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Luton Bedford Birmingham  
Nottingham Manchester Leeds Glasgow & Worldwide

c. £45,000 +  
excellent benefits

Rail express systems

Crewe

## Financial Director

Rail express systems was launched in 1991 to develop the high speed movement of letters and parcels. Running trunk haul trains under contract, this £50m business is to be made autonomous and will be privatised towards the end of 1995. This presents a unique opportunity for an enterprising professional to play a major part in shaping strategy and to prepare the company for sale, with the possibility of an MBO.

### THE ROLE

Reporting to the Managing Director, responsible for a team of professionals and accountable for the full spectrum of systems, controls, investment finance, contract management and very substantial assets.

new accounting and management information systems, establishing a reporting infrastructure to optimise financial efficiency and identify key management issues.

Contribute fully to strategic planning from public private ownership. Develop audit, tax, legal and treasury relationships and plan future sources of external finance.

### THE QUALIFICATIONS

Probably ACA, with a minimum of ten years' post qualification experience in commerce. Currently a senior finance manager with an established City network.

Proven commercial and technical with a successful track record in implementing stand-alone systems within a performance-driven environment.

Communicator with credibility. A team player with good interpersonal skills and enthusiasm to meet a major challenge.

Leeds 0532 307774

London 071 495 1288

Manchester 061 499 1700

Selector Europe

Stuart

Please reply with full details to:  
Richard Brown, Ref 71775007,  
Cheltenham House, Bakers Close,  
Lewes Road, Lewes, Sussex BN7 1YF

## INTERNATIONAL AUDIT MANAGER

£50,000  
+ Car  
+ Benefits

CENTRAL  
LONDON

fi

Our Client is a quoted International Company with a turnover of \$1.2 billion, operating through a worldwide network of offices and facilities. The Group has market leadership in several of its areas and is pursuing further growth through the expansion of existing activities and selective acquisitions.

Owing to their expansion, this new role has been created where your brief is to establish an influential and commercially driven International Audit Department.

A hands-on approach is required as you will assume responsibility for financial and operational audits together with the preparation of in-depth reports for submission to Senior Management and the Audit Committee. You will play a proactive role in planning and undertaking a number of ad hoc projects such as investigating new business ventures, due diligence and post acquisition analysis.

For this challenging position the suitable candidate will be a high calibre graduate ACA/CIMA/ACCA. An internal audit background and hands-on financial management exposure in an operational environment are prerequisites. As you will undertake a high percentage of worldwide travel, experience gained within an international organisation would be advantageous.

If you wish to be considered for this appointment which offers the opportunity for progression within the Group, please call Suzanne Swycher on 071-387 5400 (evenings 071 286 2668) or write/fax your CV to her at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN (Fax: 071 0857).

FINANCIAL  
SELECTION SERVICES

## MANAGER - FINANCIAL REPORTING

International Fund Management

To £30,000  
+ Bonus

CITY

fi

Our client is one of the largest Fund Management companies in London currently with over £18 billion under management. With exciting growth plans in place for the future, career opportunities for the right individual are exceptional.

Following an internal promotion the organisation is looking to recruit an ambitious and capable professional to join a small, high-profile finance function.

As a key point of contact for the financial managers and external advisors, and reporting to Senior Management, you will take responsibility for managing the financial reporting process. This will include overseeing the control of revenue and expenditure, relevant regulatory issues, as well as the company's own money-market investments. Additionally there will be involvement in management reporting and budgeting.

You will be supported by a small team and will be responsible for their technical and professional development. Suitable candidates will be graduate qualified Chartered Accountants (ideally aged 26-30) with an impeccable academic background coupled with proven post-qualified experience either gained from within a major public practice firm or a commercial organisation. Exposure to the Financial Services Sector whilst a plus is not a pre-requisite, although the successful candidate will have to show a keen interest in working within a service based business.

For further information and a confidential discussion contact Lucy Ayerton on 071-387 5400 (evenings 071 223 2696) or send/fax your CV to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN (Fax: 071 0857).

FINANCIAL  
SELECTION SERVICES

## TAKE PRECISE AIM



TARGET  
THE  
BEST

By placing your recruitment advertisement in the FINANCIAL TIMES you are reaching the world's business community.

For information on advertising in this section please call:

Philip Wrigley on 071-873 3351  
Andrew Skarzynski on 071-873 4054  
Gareth Jones on 071-873 3779

## CORPORATE FINANCE EXECUTIVES

AGE 23-27

CITY

Samuel Montagu is the UK and European merchant banking arm of HSBC Holdings plc, one of the largest and most strongly capitalised financial services organisations in the world.

The Corporate Finance department has an unrivalled reputation for its creative approach to financial opportunities. This ability is derived from the experience of a highly professional team.

The department offers advice to a wide range of companies throughout the UK and internationally.

HSBC Group's substantial resources, Samuel Montagu has the capacity to underwrite and finance transactions of all sizes.

The company wishes to recruit a small number of executives of the highest calibre. The successful candidate will:

- be a recently qualified accountant or solicitor from a large professional practice with some exposure to corporate finance matters or special project related work
- possess the necessary enthusiasm and drive to succeed within a team based environment

demonstrate an informed interest regarding recent major developments within the UK Corporate Finance Market

In return, a highly attractive package on offer and promotion opportunities will only be limited by the successful level of achievement.

For further information, in complete confidence, please contact Stephen Grant on 071-379 3333 (confidential fax 071-915 8714), or write to him at Robert Walters, 25 Bedford Street, London WC2E 9EP.

ROBERT WALTERS ASSOCIATES

"...creativity and innovation - the key to our continued success"

## FINANCIAL CONTROLLERS

Music & Video

£40-50,000  
+ Car

LONDON W6

fi

Polygram UK is one of the largest and most successful divisions of Polygram International, the world's leading global entertainment group. Their strategy of targeted acquisitions combined with organic growth has secured Polygram's success within this highly volatile market.

Within their UK divisional structure all areas of the business are represented from music to films and video. Their portfolio of successful artists is without equal, their films have achieved critical acclaim and their video catalogue includes some of the world's most popular titles.

As a result of their continuing programme of acquisitions and developments, a number of opportunities have now arisen for strong commercial Finance Professionals, to make a significant contribution to the performance of semi-autonomous business units within Polygram UK.

Reporting directly to the divisional Managing Directors and functionally to the UK Group Finance Director, you will be an important member of the management team, providing all financial and business information, driving the planning processes, interfacing with sales, marketing and production, and advising on new acquisitions and business developments. Key to your success in this role will be your ability to proactively influence the financial performance of the businesses in achieving their agreed targets.

For these demanding appointments we are seeking ambitious qualified Accountants, most likely aged 25-40, with a proven track record of achievement in a fast-moving highly commercial business environment, able to establish their authority within a creative, entrepreneurial and focused management team. We would particularly value applications from candidates with previous experience in the music, records, films, videos and entertainment industry.

To be considered for these highly challenging roles please contact our advising consultants in confidence, Lindsay Dell or Neil Wax at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Tel: 071-387 5400 (office) or 0895 813298 / 0923 819298 (evenings after 8pm). Alternatively fax your CV on 071-388 0857.

PolyGram

## FINANCIAL DIRECTOR

Leicester

£40,000 + car

Our client is a profitable privately owned £25m T/O manufacturing company. Operating in the high volume, low margin market, it's customers are acknowledged as being world class, clear on their requirements, and very demanding.

Reporting to the Chairman/Chief Executive you will be responsible for the entire finance function. Aged over 35, you will be a qualified accountant that can demonstrate numerous successes as an operational F.D. As a probing challenging individual, equally effective on the shop floor as in the boardroom, you will have a passion for tight manufacturing controls and be conversant with operating in an environment where the customer monitors quality, quantity and price.

This company encourages pro-active individuals that can work on their own initiative and demonstrate the ability to manage change.

Interested candidates please write with a full CV to Mike Jones:

MICHAEL WARWICK

Water Court, 160 St Paul's Square, Birmingham, B5  
Telephone: 021 233 9303, Facsimile: 021 233 0855

## APPOINTMENTS WANTED

### FINANCIAL/COMMERCIAL DIRECTOR

Business Graduate/Chartered Accountant/Innovative, good management track record with broad commercial and financial experience including construction, media & technology in corporate (also city) and private sectors. Specialist knowledge in copyright, publishing, contracts and licensing. Arrangements or permanent post considered (UK or Overseas).

Write to Box 82277, Financial Times, One Southbank Bridge, London SE1 9UL

## Group Finance Director

up to £40k + bonus + car

South West

A Finance Director sought for this £8m turnover privately owned group involved in clothing manufacture, distribution, retail, engineering and industrial assembly. Working closely with the MD/owner, the first task will be to substantially improve accounting and reporting systems in preparation for growth. Candidates must be qualified chartered accountants, aged mid 30s-40s, with 10-15 years' FD experience, ideally gained in a multi-site, medium-sized industrial company with tight cost and management controls. This is a broad-ranging role requiring strong commercial and management skills in addition to computer literacy. Experience of treasury, acquisitions and company secretarial work would be helpful, but more important is the ability to act as the MD's right hand man in the future development of this group. Please reply, in confidence, with full career details to Peg Eva, as adviser to the company, at Thomson Partners Ltd., 1-11 Hay Hill, Berkeley Square, London W1M 7LF.

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Our client is a world leader in providing the media, financial and business communities with general and specialised news and real-time financial data. Management wishes to appoint a mature and career-oriented professional to manage the day-to-day activities in Japan, which is one of the key centres within the Group.

The appointee will be a highly challenging and multi-faceted role which will involve maintaining a strong controllership orientation over the business unit, providing high level support on finance, accounting, tax, systems and commercial issues. As a member of the management team the incumbent will provide timely and accurate financial and statistical data to top management and participate in budgeting as well as working capital and balance sheet management. Involvement in financial planning and assessment of special projects, including new business proposals, necessitating presentations to key managers will also form part of the responsibilities of the role. Occasional travel is required.

Candidates, in their early to mid 30s, should be degree holders and qualified accountants. Working experience should include several years' progressive and diverse financial experience in a multinational commercial or financial services environment together with excellent hands-on experience of financial reporting on an international basis. Exceptional and innovative PC skills are also important. Outstanding leadership skills, diplomacy and tact are key personal qualities required. In addition, superior communication skills in Japanese and English are essential. Preference will be given to Japanese nationals.

A highly competitive remuneration and benefits package, including housing loan interest rate subsidy is offered. Please apply in confidence with full career details, salary history and a telephone number, quoting Ref No: 469 to: Executive Recruitment Services Price Waterhouse GPO Box 690 Hong Kong

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The heart research charity  
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## Financial Controller (Multiple Retailing) Surrey

35K-38K + Package

Here is an opportunity which allows you to bring your multiple retail experience into the expanding Shops Division of Britain's largest heart research charity.

The British Heart Foundation is currently trading in 188 shops and expansion into a further 200 shops over the next five years is planned.

The new Controller will be a qualified Chartered Accountant, highly computer literate with excellent management and financial skills, an in-depth knowledge of stock control and accounting systems (including barcode analysis). Reporting to the Chief Executive and working closely with the Operations Controller, the successful candidate will manage a large accounts department.

Please forward a current C.V. to Peter Wittingham, together with a covering letter outlining your suitability for this challenging position. Quoting Reference No. 711.

Kidsons Impex, Search & Selection Limited, 29 Pall Mall, London SW1Y 6LP.  
Telephone: 071-321 0836 Fax: 071-676 1116.

### APPOINTMENTS WANTED

**FINANCE DIRECTOR**  
Commercially orientated Finance professional, aged 33, able to demonstrate expertise in international finance, treasury, tax planning MIS and TQM. Creative and financial input in mergers and planning, experience in acquisitions and financial restructuring. Write Box B2276, Financial Times, One Southwark Bridge, London SE1 9HL.

## ABU DHABI NATIONAL OIL COMPANY (ADNOC)



ADNOC's  
ATTRACTIVE BENEFITS  
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Abu Dhabi is considered the Garden City of the Gulf with excellent living and recreational facilities. ADNOC is one of the major oil companies in the Middle East controlling the Exploration, Production and Processing of Oil, Gas and Associated Products in Abu Dhabi, plus the Marketing of Hydrocarbon products. The Company wishes to recruit suitably qualified candidates for the following positions:

### SENIOR INTERNAL AUDITOR (COMPUTER)

TAX FREE SALARY ■■■■■ P.A., ■■■■■ CALENDAR DAYS ANNUAL LEAVE

An individual with experience in conducting audits of computer service centers, existing and developing application systems and office automation. The successful candidate should also be capable of assisting the Head, Computer Auditor in his duties and responsibilities to ensure that the Company assets are properly safeguarded, data integrity is maintained, and operations are carried out in an effective and efficient manner.

The ADNOC Group of Companies operate large IBM, HP, DEC/VAX and ICL mainframes as well as micro-computers and local Area Networks with gateways. A working knowledge of M&D Millennium is required. Candidates should have a recognised degree and professional qualification, is CISA, CPA, CDP, CMA with six years in accounting/computer experience with at least five years computer audit experience preferably in the oil or related industries.

### FINANCIAL SYSTEMS ANALYST

TAX FREE SALARY US\$29,300 ■■■■■ P.A., ■■■■■ CALENDAR DAYS ANNUAL LEAVE

To participate in studying and analysing existing financial systems, procedures and information flows. To develop systems documentation and instruct on proper utilization of such documents. To develop reports using computer report writing facilities and support users in the development of PG applications. To participate in the production of Systems and Procedures related manuals. To participate in systems testing, modification and enhancement of new current systems. The ideal candidate should have a University Degree in Accounting, Finance or Computer Science with a minimum of 8 years relevant experience preferably in oil or related industries. The position requires proficiency in written and spoken English, highly developed interpersonal skills and ability to work in a multinational environment.

Qualified candidates should forward their full C.V.'s with copies of qualifications, family details (including ages of children) and salary history, telephone number (at) and working references to ADNOC's authorized recruitment consultant: DELTON PERSONNEL LIMITED, 14 Rotherhithe Lane, 14 Rotherhithe Lane, Rotherhithe, London SE16 4NR, United Kingdom. Tel: 0772 885888 Fax: 0772 885888

## FINANCIAL DIRECTOR INTERACTIVE MULTIMEDIA

The Video Game and Interactive Multimedia industry has experienced explosive growth over the last five years. The future looks even more exciting as Multimedia converges with film, television, music, and computer/video gaming. SCI Curve Interactive (SCI) is a developer and publisher of Nintendo and Sega Video Games and is based Interactive Multimedia with worldwide distribution of its products.

SCI has established an aggressive plan for substantial growth over the coming years and is seeking a Financial Director to manage the company's financial affairs.

The ideal candidate will have a background either in the computer industry or in film, television, music or book publishing. The candidate must be computer literate and share an understanding and enthusiasm for the opportunities that exist for Interactive Multimedia.

Additionally, the candidate will hold a recognised accountancy qualification (ACA/ACC/ACMA) and will be under 40 years of age, entrepreneurial, confident and outgoing with excellent communication skills at all levels.

Skills & Experience required:

- At least 2 years at a minimum level of Financial Controller, in companies with turnover in the range of £5M - £50M.
- Significant commercial acumen and negotiating ability.
- Preparation of all levels of management information (accounts/forecasts/budgets/variances).
- Control, Payroll.
- Understanding of international finance (Letters of Credit and currency management).
- Supervision of ledgers, cash books.
- Financial management.
- Knowledge of accounts processing on PCs/Macintosh - spreadsheets (Quattro Pro/Windows/Excel/Lotus).

The position is based in South West London. The remuneration package will be entirely dependent on relevant experience and track record which options.

Please send C.V. and details of current remuneration package in strict confidence to: Stephanie Ralton, Sales Curve Interactive, 50 Lombard Road, London, E11 3SU. Tel: 071-252-8888 Fax: 071-924-8888

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126 Cannon Row,  
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Tel: 021-333 1111  
Fax: 021-333 5330  
Contact: Andrew Andrews

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Financial institutions experience is necessary, along with well developed interpersonal skills are essential. You will demonstrate high levels of academic and professional achievement, the willingness to work hard and the determination to succeed. You will be fully challenged by an exciting, fast moving environment. For individuals needing to move to London, relocation assistance can be made available. In a culture which rewards performance your prospects will be outstanding.

Interested candidates should write to: Janet Bullock quoting Ref 262 at BBM Associates Ltd (Consultants in Recruitment), 78 Watling Street, London EC4M 9BJ enclosing a full Curriculum Vitae which should include contact telephone numbers. Any applications sent to Salomon Brothers will be forwarded to BBM Associates. All applications will be handled in the strictest confidence.

## Salomon Brothers

## Newly Qualifieds

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**Shanks & McEwan**

### The Company

Shanks & McEwan Group PLC is one of the UK's largest environmental service companies with a market capitalisation of £200 million. Following a review of the finance function by the recently appointed Group Finance Director, a number of key appointments have been identified for both newly and recently qualified accountants.

### The Roles

To provide a proactive and added value service focused on improving corporate performance in either a financial analysis or management reporting capacity.

### The Candidates

Applicants need to be commercially minded with the capacity, personality and drive to take responsibility and maximise business opportunities. They could be either Chartered Accountants making their first move out of practice or accountants/MBAs wanting to further develop their commercial skills, already gained in industry.

To be considered, cvs should be sent to Shanks & McEwan's retained consultant, David Brownlow at Douglas Llamias Associates, 410 Strand, London WC2R 0NS. Telephone: 071 836 9501, Facsimile: 071 771 4520







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keeps  
steady**

$\frac{d}{dt} \left( \frac{\partial L}{\partial \dot{x}} \right) = \frac{\partial L}{\partial x}$

100

Trial	Control	MCI	AD
1	95	85	75
2	95	85	75
3	95	80	70
4	95	78	68
5	95	75	65

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26


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the 1990s, the number of people in the world who are illiterate has increased from 1.2 billion to 1.5 billion. The number of illiterate people in the world is expected to reach 1.7 billion by the year 2015. The number of illiterate people in the world is expected to reach 1.7 billion by the year 2015.

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# ACA CAREERS EVENING



**Bankers Trust Company**  
**S.G. WARBURG**  
**Baring Securities**



**CITIBANK**

**30 YEARS IN CAREERS**

**HARRISON WILLIS**  
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**FINANCIAL SERVICES**  
Harrison Willis has great pleasure in inviting qualified ACA's with up to 3 years' post-qualification experience to attend an informal Careers Evening at the Barbican.  
Representatives from several banks and financial institutions will be on hand to discuss individual career opportunities within their organisations.

Thursday 3rd March 1994  
6.00 - 9.00 p.m. Drinks & Buffet  
Guest Speaker  
Entrance by invitation only

For full details and to reserve a place, please contact  
Gary Hall, Robert Macmillan or Gary Johnson on  
071-629 4463 (evenings) ■ weekends 0480-433491).

PE2 HOTLINE 071-629 4463  
Tel: 11.30 p.m.

February 1994

**30 YEARS IN CAREERS**



## LONDON STOCK EXCHANGE

## MARKET REPORT

## Fears of US rate rise send shares sharply down

By Terry Byland,  
UK Stock Market Editor

Fears that the US Federal Reserve might tighten interest rates again sooner than expected drove the FT-SE 100 down by 74.4 points yesterday in its largest one day fall for sixteen months. The setback, which was sparked by substantial losses in bonds as London and continental Europe followed trends in US Federal securities, featured heavy selling of stock index futures rather than of the underlying equities.

The favoured support level of 3,300 on the Footsie was swept aside just before noon when traders grew increasingly apprehensive ahead of publication of the latest statistics on US durable goods orders, which Mr Alan Greenspan, the chairman

of the Federal Reserve, appeared to have identified as a significant inflation counter earlier this week.

The FT-SE 100 closed at 3,267.5, just above the day's worst, but with no effective recovery in either gilts or equities after US markets took a negative view of the durable goods figures. Wall Street was nearly 40 points down as London closed for the day.

The wave of interest rate nervousness hit particularly hard in London, where the stock market has virtually factored in another cut in domestic base rates. Traders reminded one another that Mr Nick Knight, the once bullish strategist at Nomura Securities, had warned this week that UK short term interest rates would be above 5 per cent, perhaps approaching 7 per cent by the end of the year.

Account Dealing			
Time	Open	Close	High
10.00	3267.5	3267.5	3267.5
10.30	3267.5	3267.5	3267.5
11.00	3267.5	3267.5	3267.5
11.30	3267.5	3267.5	3267.5
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92.30	3267.5	3267.5	3267.5
93.00	3267.5	3267.5	3267.5
93.30	3267.5	3267.5	3267.5
94.00	3267.5	3267.5	3267.5
94.30	3267.5	3267.5	3267.5
95.00	3267.5	3267.5	3267.5
95.30	3267.5	3267.5	3267.5
96.00	3267.5	3267.5	3267.5
96.30	3267.5	3267.5	3267.5
97.00	3267.5	3267.5	3267.5
97.30	3267.5	3267.5	3267.5
98.00	3267.5	3267.5	3267.5
98.30	3267.5	3267.5	3267.5
99.00	3267.5	3267.5	3267.5
99.30	3267.5	3267.5	3267.5
100.00	3267.5	3267.5	3267.5

But some volume, at 768.9m shares, was unexceptional, not even matching the 822.4m of the previous session. One leading broker said he had found it very difficult to find even one big institutional seller of either gilts or equities.

Nor were strategists agreed on the rationale behind the interest rate fears. "Not a chance," said Mr Robin Aspinall at Panmure Gordon said, when asked if UK short term

rates were about to rise. At James Capel, London's leading institutional broker, Mr Paul Walton assured clients that this was "an opportunity to buy the UK equity market considerably cheaper than it was yesterday." He also found "completely unconvincing" suggestions that interest rates are about to rise in Europe.

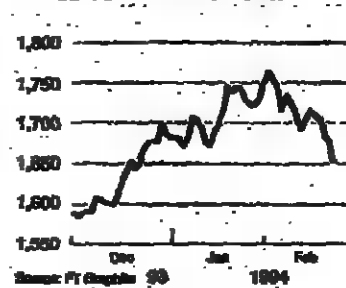
One view was that yesterday was a delayed rationalisation of the correction in UK equities which has been taking place since the Footsie peaked at the beginning of this month. The focus on the stock index future brought hints that hedge funds may have suffered large losses in that market and become forced sellers of bonds and shares.

With nervousness over interest rates turning attention towards cor-

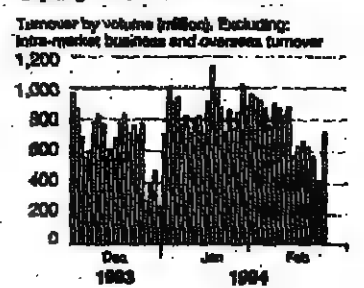
porate results, the market was not helped by discouraging sales and profit pressures from the boardroom of ICI, although shares in the blue chip chemical group held steady following the results. Shell, reporting lower results yesterday, fell sharply and added to the general malaise.

The final picture last night was gloomy, with pressure across the range of equities bringing a fall of 51.9 to 3,323 in the FT-SE Mid 250 Index. UK traders are still resigned to further tightening of policy by the Federal Reserve at some point, and are also watching Wall Street with some misgivings ahead of the opening of London markets today. But bond markets are expected to continue holding the key to near-term developments in equities.

## FT-SE-A All-Share Index



## Equity Shares Traded



## Key Indicators

Indicator	Value	Change
FT-SE 100	3267.5	-74.4
FT-SE Mid 250	3023.0	-51.9
FT-SE-A 350	1857.4	-34.0
FT-SE-A All-Share	1050.46	-32.47
FT-SE-A All-Share yield	3.45	(3.37)

Best performing sectors	Change
1 Household Goods	-0.4
2 Extractive Inds	-0.7
3 Other Ser & Bus	-0.7
4 FT-SE SmallCap ex ITs	-0.7
5 FT-SE SmallCap	-0.8

FT Ordinary Index	Value	Change
FT Ordinary Index	2528.1	-50.3
FT-SE-A Non Fin p/a	22.21	22.23
FT-SE 100 Div Yld	3240.0	-42.0
10 yr Gilt yield	7.11	(8.80)
Long gilt/equity yield ratio	2.18	(2.15)

Worst performing sectors	Change
1 Banks	-3.8
2 Gen Distribution	-3.2
3 Water	-2.8
4 Oil, Integrated	-2.7
5 Insurance	-2.4

## Squeeze keeps ICI steady

Keenly awaited full-year figures from ICI disappointed the market yesterday, although the shares found some support from dividend buyers.

ICI announced a profit of £200m which was towards the bottom of the analysts' range. This was accompanied by a trading statement which was seen by most analysts as neutral to cautious. The shares fell 12 but then, to general sur-

prise, turned the corner. While the rest of the FT-SE 100 was off by more than 65 points ICI was one of only three bright spots. It appeared that income funds, which buy stocks for the yield, were holding on for the weekend on Friday.

This prompted a squeeze as a number of marketmakers had gone short ahead of the figures. There was also expectation of some US demand after the company's presentation in New York on Friday.

Nevertheless, most UK analysts were unimpressed and some of the higher 1994 forecasts were reduced. James Capel and Kleinwort Benson came down to around

from £400m and £450m. One of the few securities houses to continue enthusiastic was Smith New Court which remains on £400m for this year and £700m for 1995, but argues "there are the first signs of a real culture change in ICI". It also reinforced its buy recommendation. However, the shares were finally unable to resist the general pressure and closed a net 2 lower at 750p.

## Gas surprise

A shock £1.6bn of restructuring and a dividend that disappointed more people than it pleased ensured that British Gas was the most heavily

traded stock in London. The shares fell 11 to 326p with more than 30m shares traded.

Some analysts said the 14.5p dividend represented the first time that British Gas had not increased its payout to shareholders since the company was privatised. Ms Irene Himmis of SGST argued that the gains to be made from overseas expansion will not compensate for the loss of UK earnings as the monopoly is eroded. Others suggest that the dividend was the best that could be hoped for but that the write-downs for 25,000 jobs were twice as high as expected, and the estimated benefits from those job cuts were lower than fore-

cast. Shell sold

Fourth-quarter figures from Shell Transport and Continental European arm



**INVESTMENT TRUSTS - COAL**

Year	1971	1972	1973	1974
97	0.6	0.6	0.6	0.6
98	0.6	0.6	0.6	0.6
99	0.6	0.6	0.6	0.6
100	0.6	0.6	0.6	0.6
101	0.6	0.6	0.6	0.6
102	0.6	0.6	0.6	0.6
103	0.6	0.6	0.6	0.6
104	0.6	0.6	0.6	0.6
105	0.6	0.6	0.6	0.6
106	0.6	0.6	0.6	0.6
107	0.6	0.6	0.6	0.6
108	0.6	0.6	0.6	0.6
109	0.6	0.6	0.6	0.6
110	0.6	0.6	0.6	0.6
111	0.6	0.6	0.6	0.6
112	0.6	0.6	0.6	0.6
113	0.6	0.6	0.6	0.6
114	0.6	0.6	0.6	0.6
115	0.6	0.6	0.6	0.6
116	0.6	0.6	0.6	0.6
117	0.6	0.6	0.6	0.6
118	0.6	0.6	0.6	0.6
119	0.6	0.6	0.6	0.6
120	0.6	0.6	0.6	0.6
121	0.6	0.6	0.6	0.6
122	0.6	0.6	0.6	0.6
123	0.6	0.6	0.6	0.6
124	0.6	0.6	0.6	0.6
125	0.6	0.6	0.6	0.6
126	0.6	0.6	0.6	0.6
127	0.6	0.6	0.6	0.6
128	0.6	0.6	0.6	0.6
129	0.6	0.6	0.6	0.6
130	0.6	0.6	0.6	0.6
131	0.6	0.6	0.6	0.6
132	0.6	0.6	0.6	0.6
133	0.6	0.6	0.6	0.6
134	0.6	0.6	0.6	0.6
135	0.6	0.6	0.6	0.6
136	0.6	0.6	0.6	0.6
137	0.6	0.6	0.6	0.6
138	0.6	0.6	0.6	0.6
139	0.6	0.6	0.6	0.6
140	0.6	0.6	0.6	0.6
141	0.6	0.6	0.6	0.6
142	0.6	0.6	0.6	0.6
143	0.6	0.6	0.6	0.6
144	0.6	0.6	0.6	0.6
145	0.6	0.6	0.6	0.6
146	0.6	0.6	0.6	0.6
147	0.6	0.6	0.6	0.6
148	0.6	0.6	0.6	0.6
149	0.6	0.6	0.6	0.6
150	0.6	0.6	0.6	0.6
151	0.6	0.6	0.6	0.6
152	0.6	0.6	0.6	0.6
153	0.6	0.6	0.6	0.6
154	0.6	0.6	0.6	0.6
155	0.6	0.6	0.6	0.6
156	0.6	0.6	0.6	0.6
157	0.6	0.6	0.6	0.6
158	0.6	0.6	0.6	0.6
159	0.6	0.6	0.6	0.6
160	0.6	0.6	0.6	0.6
161	0.6	0.6	0.6	0.6
162	0.6	0.6	0.6	0.6
163	0.6	0.6	0.6	0.6
164	0.6	0.6	0.6	0.6
165	0.6	0.6	0.6	0.6
166	0.6	0.6	0.6	0.6
167	0.6	0.6	0.6	0.6
168	0.6	0.6	0.6	0.6
169	0.6	0.6	0.6	0.6
170	0.6	0.6	0.6	0.6
171	0.6	0.6	0.6	0.6
172	0.6	0.6	0.6	0.6
173	0.6	0.6	0.6	0.6
174	0.6	0.6	0.6	0.6

6130c De La 2010	1214	11	1214
For & Col Ent	731		77
For & Col Ent	221	31	221

67	6.5	146.1	78.5
74	4.4	80.0	4.3
161	6.6	384.1	71.0
113	3.3	128.0	-8
116	1.5	186.5	8.5
43	-	-	-
100	-	115.0	-8.9
98	-	188.1	1.0
30	-	-	-
53	1.8	106.7	71.5
88	-	-	-
201	-	-	-
197	-	-	-
68	21.8	-	-
124	-	68.2	66.3
146	6.5	277.4	-3.7
274	71.5	48.7	15.8
83	-	-	-
67	6.1	168.5	12.3

Warrantable \_\_\_\_\_  
Garshore Scott Inc. (44C)

1971	1.6	1.1	0.5
1972	1.6	1.1	0.5
1973	2.0	1.4	0.6
1974	2.0	1.4	0.6
1975	2.0	1.4	0.6
1976	2.0	1.4	0.6
1977	2.0	1.4	0.6
1978	2.0	1.4	0.6
1979	2.0	1.4	0.6
1980	2.0	1.4	0.6
1981	2.0	1.4	0.6
1982	2.0	1.4	0.6
1983	2.0	1.4	0.6
1984	2.0	1.4	0.6
1985	2.0	1.4	0.6
1986	2.0	1.4	0.6
1987	2.0	1.4	0.6
1988	2.0	1.4	0.6
1989	2.0	1.4	0.6
1990	2.0	1.4	0.6
1991	2.0	1.4	0.6
1992	2.0	1.4	0.6
1993	2.0	1.4	0.6
1994	2.0	1.4	0.6
1995	2.0	1.4	0.6
1996	2.0	1.4	0.6
1997	2.0	1.4	0.6
1998	2.0	1.4	0.6
1999	2.0	1.4	0.6
2000	2.0	1.4	0.6
2001	2.0	1.4	0.6
2002	2.0	1.4	0.6
2003	2.0	1.4	0.6
2004	2.0	1.4	0.6
2005	2.0	1.4	0.6
2006	2.0	1.4	0.6
2007	2.0	1.4	0.6
2008	2.0	1.4	0.6
2009	2.0	1.4	0.6
2010	2.0	1.4	0.6
2011	2.0	1.4	0.6
2012	2.0	1.4	0.6
2013	2.0	1.4	0.6
2014	2.0	1.4	0.6
2015	2.0	1.4	0.6
2016	2.0	1.4	0.6
2017	2.0	1.4	0.6
2018	2.0	1.4	0.6
2019	2.0	1.4	0.6
2020	2.0	1.4	0.6
2021	2.0	1.4	0.6
2022	2.0	1.4	0.6
2023	2.0	1.4	0.6
2024	2.0	1.4	0.6
2025	2.0	1.4	0.6
2026	2.0	1.4	0.6
2027	2.0	1.4	0.6
2028	2.0	1.4	0.6
2029	2.0	1.4	0.6
2030	2.0	1.4	0.6
2031	2.0	1.4	0.6
2032	2.0	1.4	0.6
2033	2.0	1.4	0.6
2034	2.0	1.4	0.6
2035	2.0	1.4	0.6
2036	2.0	1.4	0.6
2037	2.0	1.4	0.6
2038	2.0	1.4	0.6
2039	2.0	1.4	0.6
2040	2.0	1.4	0.6
2041	2.0	1.4	0.6
2042	2.0	1.4	0.6
2043	2.0	1.4	0.6
2044	2.0	1.4	0.6
2045	2.0	1.4	0.6
2046	2.0	1.4	0.6
2047	2.0	1.4	0.6
2048	2.0	1.4	0.6
2049	2.0	1.4	0.6
2050	2.0	1.4	0.6
2051	2.0	1.4	0.6
2052	2.0	1.4	0.6
2053	2.0	1.4	0.6
2054	2.0	1.4	0.6
2055	2.0	1.4	0.6
2056	2.0	1.4	0.6
2057	2.0	1.4	0.6
2058	2.0	1.4	0.6
2059	2.0	1.4	0.6
2060	2.0	1.4	0.6
2061	2.0	1.4	0.6
2062	2.0	1.4	0.6
2063	2.0	1.4	0.6
2064	2.0	1.4	0.6
2065	2.0	1.4	0.6
2066	2.0	1.4	0.6
2067	2.0	1.4	0.6
2068	2.0	1.4	0.6
2069	2.0	1.4	0.6
2070	2.0	1.4	0.6
2071	2.0	1.4	0.6
2072	2.0	1.4	0.6
2073	2.0	1.4	0.6
2074	2.0	1.4	0.6
2075	2.0	1.4	0.6
2076	2.0	1.4	0.6
2077	2.0	1.4	0.6
2078	2.0	1.4	0.6

N & G Dental Inc.	305nd	428	
Cap	26-45	2773	158
N & G Insurance for ME	81	281	

13.0	94.5	69.1
12.0	132.5	8.5
11.0	87.3	61.9
10.0	-	-
9.0	65.9	69.4
8.0	81.5	31.1
7.0	-	-
6.0	148.0	2.8
5.0	596.5	17.7
4.0	340.0	1.3
3.0	148.5	5.2
2.0	74.3	-3.5
1.0	128.3	1.0
0.1	188.9	11.4
-	-	-
-	169.0	8.7
-	277.2	-2.7
-	657.7	2.2
-	-	-
-	78.9	33.7
-	111.1	16.8

Cap \_\_\_\_\_ 4114  
Ad Wynd \_\_\_\_\_ 4114

1.8	248.2	7.2
1.8	670.0	9.0
3.2	104.2	4.0
3.7	145.3	0.8
3.8	145.9	-1
1.8	140.9	5.8
-	-	-
0.3	66.0	0.8
3.7	587.2	0.1
3.9	382.2	3.5
1.0	538.9	2.8
19.0	-	-
-	236.8	36.9
3.8	210.8	-5.3
3.8	385.0	11.9

Smaller Asst. \_\_\_\_\_  
 Warranty \_\_\_\_\_

1.3	139.8	13.4
-	-	-
9.8	-	-
-	191.7	54.1
1.2	240.5	8.4
-	63.8	11.9
0.3	261.1	7.2
0.2	-	-
2.4	310.2	16.2
11.7	114.1	16.7
-	-	-
1.1	432.6	13.8
-	-	-
0.3	500.8	11.9
0.4	32.8	16.7
0.3	218.2	12.6



— *Journal of the American Medical Association*

1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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## AMERICA

## US stocks falter after failure of merger talks

## Wall Street

US stocks tumbled yesterday morning as the collapse of Bell Atlantic's proposed merger with Tele-Communications raised big questions about the development of new information and entertainment technologies, writes Frank McGurty in New York.

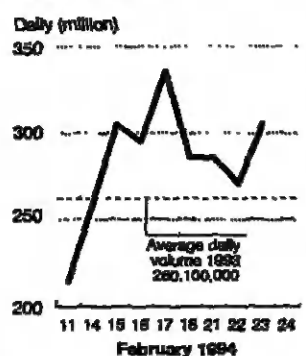
By 1 pm, the Dow Jones Industrial Average was down 41.92, or about 1 per cent, to 3,349.16, after reaching its lowest level since closing at 3,424.43 on January 13. The sell-off was broad-based, with declines outnumbering advances by 1,742 to 377. The breadth of the downturn was reflected in the Standard & Poor's 500, which dropped 4.83 lower to 466.06.

Secondary indices showed an even sharper drop, with the American SE composite off 5.38 to 466.35 and the technology-rich Nasdaq composite down 9.33 to 779.18.

Volume on the NYSE was heavy, with 300m shares traded by 1 pm. Stocks were sent reeling by Bell Atlantic's decision to terminate its planned \$33bn acquisition of Tele-Communications after months of fruitless negotiations. The bellwether merger, the largest in US corporate history, was expected to spur the development of interactive commun-

ications services which were to form the foundation of a new "information superhighway". Trading in Bell Atlantic shares was delayed at the opening because of an order imbalance. When it resumed, stocks climbed \$2 to \$5.44, after dropping in recent weeks amid mounting uncertainty over the deal's completion. On the Nas-

## NYSE volume



daq, TCI's A shares sank \$1 to \$23.4.

Communications and cable equipment companies which were to play a role in this new hybrid industry were particularly hard hit by the announcement, which was made after the markets closed on Wednesday evening.

General Instrument plunged \$5 to \$44 on volume of nearly 3m shares, against an

average daily turnover of 438,000. The TCI supplier was stung by the company's subsequent announcement that it would cut in half its projected capital spending to \$500m. Near midday, the company issued a statement saying that it believed the market was over-reacting.

Another TCI supplier, Scientific Atlanta, plunged \$3 to \$25.4.

The index was down 1.5 per cent to 2,531.97 in early trade.

## Canada

Toronto fell sharply, depressed by the weak local currency and bond markets. By noon, the TSE 300 Composite index was 36.39 lower at 4,331.36 in volume of 11.1m shares, weighed also by fears of higher interest rates.

## EUROPE

## Volatile trading seen on the continent

The bond markets again had a heavy influence on trading yesterday, writes Our Markets Staff.

Merill Lynch has dropped its exposure to lower interest rates as a major strategy theme. "The lack of a positive response to last week's rate cut [in Germany] adds weight to the view that rates are falling but everybody now expects it. We have reduced weightings in France and Spain and increased weightings in the UK, the Netherlands, Sweden and Norway."

FRANKFURT reiterated after Wednesday's gains with the futures market again providing most of the impetus to the day's activity. The Dax index tumbled 37.38 or 1.7 per cent to 2,090.20 and the March Dax contract by 65.5 to 2,082.89.

In the after market the Dax indicated index fell 57.4 to 2,022.89.

The market seemed unmoved by inflation data from the state of Hesse which came in much within expectations.

Among individual issues, Manx, which announced fall in six-month group sales of 7.9

per cent and an increase in orders of 16 per cent slipped DMS to DM420.

Bilfinger & Berger, the construction company, followed the broader market lower, losing DMS to DM330, in spite of reporting that it expected to pay a dividend on 1993 results.

ZURICH tumbled 2.3 per cent, as it registered disappointment at results from SMH, the watchmaker, which had climbed strongly in the previous two sessions, and worries over the earnings outlook at Nestlé.

The SMI index fell 69.1 to 2,984.4, amid selling by foreign investors taking advantage of the strong franc. Results this morning from UBS are seen as crucial to setting the market's direction in coming days.

SMH registered fell SF18 or 8.3 per cent to SF188 in response to news, after the market closed on Wednesday, that 1993 group net profit rose by a smaller than expected 7 per cent. The day's fall more than wiped out the rises of the previous two sessions on news that Mercedes-Benz was to co-operate in the development of the Swatchmobile.

## FT-SE Actuaries Share Indices

Feb 24		Feb 23		Feb 22		Feb 21		Feb 18		Feb 17	
Weekly changes	Open	High	Low	Close	Open	High	Low	Close	Open	High	Low
FT-SE Actuaries 100	1478.19	1474.05	1467.02	1466.38	1458.21	1454.21	1454.21	1454.21	1454.21	1454.21	1454.21
FT-SE Actuaries 200	1523.25	1523.25	1517.83	1517.48	1508.89	1505.31	1507.35	1507.35	1507.35	1507.35	1507.35

## THE EUROPEAN SERIES

Feb 24		Feb 23		Feb 22		Feb 21		Feb 18		Feb 17	
Weekly changes	Open	High	Low	Close	Open	High	Low	Close	Open	High	Low
FT-SE Actuaries 100	1478.19	1474.05	1467.02	1466.38	1458.21	1454.21	1454.21	1454.21	1454.21	1454.21	1454.21
FT-SE Actuaries 200	1523.25	1523.25	1517.83	1517.48	1508.89	1505.31	1507.35	1507.35	1507.35	1507.35	1507.35

## Nestlé shed SF53 or 3.9 per cent to SF1,236 after some analysts revised down their EPS forecasts. Remarks by the company at a food conference in Arizona that it did not plan a share listing in the US for the time being also prompted some US sales.

UBS shed SF21 to SF1451, giving up some of recent rises, as analysts suggested that anything less than a 60 per cent rise in 1993 profits would prove a big disappointment to the market.

PARIS reacted negatively to news of the Bank of France's 10 basis point cut in the intervention rate to 6.10 per cent, and then fell below the 2,000 level, before rising by the close. The CAC-40 index, which had seen a day's low of 2,178.24

## closed off 43.71 or 1.9 per cent at 2,208.23.

Pechiney, which said that it was to cut aluminium output in Europe by 87,000 tonnes, lost FF2.50 to FF439.50.

Metaleurop, a division of Preussag of Germany, which saw a doubling of its losses in the 1992/93 period to end of September held steady at FF89.50. The company commented that the worst might now be over.

AMSTERDAM suffered from disappointing results from Royal Dutch which left the stock down F15.70 at F1,202.70. This left the AEX index off 7.50 or 1.7 per cent at 418.31.

Unilever continued to be depressed by its poor results earlier in the week, the stock falling another F1.60 to F123.50, while Akzo softened F17.50 to F120.50 ahead of results expected on today.

Grolsch, the brewer, was with Heineken, among the few stocks to go against the market, the former rising F12.30 or 5.4 per cent to F144.50 and the latter F1.00 to F129.50.

Grolsch has signed an agreement with UK brewer Bass to produce and distribute its product in the UK.

MILAN continued on its downward path, swept along by the wave of selling elsewhere in Europe and with the forthcoming elections proving a further disincentive. The Comit index shed 14.06 or 2.1 per cent to 655.86.

BCI bucked the trend, picking up L137 or 2.4 per cent to L5,873, after its falls in recent sessions. Activinvest, an independent research group, expected the privatisation price, to be set tomorrow, to be around L5,000.

MADRID fell 1.8 per cent, depressed by weak bonds, and the general index shed 5.56 to 337.29.

Written and edited by John Pitt and Michael Morgan

## ASIA PACIFIC

## Nikkei advances 2.2% as Hong Kong falls sharply

## Tokyo

Reports that the US would tolerate a weaker yen depressed the Japanese currency against the dollar, and the Nikkei average closed up 2.3 per cent on active dealer and arbitrage buying, writes Erika Terazono in Tokyo.

The Nikkei 225 gained 428.65 to 19,766.48 after opening at a low of 19,389.24 and reaching a high of 19,782.28 in the afternoon session. The Topix index of all first section stocks rose 29.77 to 1,607.62 while the Nikkei 300 rose 5.68 to 297.52.

In London the ISE/Nikkei 50 index fell 6.62 to 1,328.22.

Share prices initially rose on strong buying by foreign investors, followed by arbitrage buying. Activity was triggered by the fall of the yen to the ¥100 level on reports that Mr Lloyd Bentsen, the US treasury secretary, had made comments in favour of a weaker yen. A Japanese finance ministry official later denied the report in the early afternoon.

Mr Yutaka Nakai at Daiwa Securities said that share prices would remain stable ahead of the March 11 settlements for Nikkei futures contracts as long as the yen did not strengthen against the dollar. "Whether arbitrageurs will roll over their positions or not will depend on the currency."

Volume rose to 470m shares against 274m. Gainers overwhelmed losers by 975 to 94, with 108 issues remaining unchanged.

Hopes of a bottoming out in earnings boosted electronics issues. Hitachi, the most active issue of the day, rose ¥18 to ¥915 on foreign buying and Toshiba rose ¥9 to ¥747. Sony advanced ¥180 to ¥6,300. Reports that the company would sell Columbia, its movie

company, at a profit also attracted buyers in spite of denials by company officials.

Nippon Suisan, the fishery group, rose ¥26 to ¥417 on reports that the company has developed a technology to reduce a fatty acid found in fish oil believed to activate the human brain. Other fisheries were also higher, with Maruha up ¥16 to ¥376 and Nichiro adding ¥17 to ¥377.

Arbitrage buying supported bank stocks. Industrial Bank of Japan gained ¥80 to ¥3,260 and Fuji Bank rose ¥80 to ¥2,280. Brokers were also higher with Nomura Securities up ¥60 to ¥2,290.

In Osaka, the OSE average jumped 378.40 to 21,815.49 in volume of 66.9m shares.

## Roundup

Some sharp falls were seen in regional markets.

HONG KONG finished 3.1 per cent lower on renewed selling triggered by the decision to press ahead with local political reforms. The Hang Seng index tumbled 331.21 to 10,432.02.

Most blue chips suffered from the late sell-off. HSBC Holdings, the most actively traded stock, slid HK\$2 to finish at HK\$115 while its Hang Seng Bank unit fell HK\$3.50 to HK\$70.50. Cheung Kong shed HK\$1.75 to HK\$43.50 and Jardine Matheson lost HK\$3.50 to HK\$65.50.

SINGAPORE fell 1.6 per cent in reaction to the government's failure to cut corporate taxes in the 1994-95 budget. The Straits Times Industrials index fell 38.67 to 2,368.24 but was off an intra-day low of 2,375.06.

SEOUL was dragged down by a sell-off of blue chips and worries about liquidity constraints. The composite stock index closed 17.86 down at 832.15.

MANILA declined for the fourth straight day, weighed down by the proposed doubling of a stock transaction tax. The composite index slid 39.94 to 2,966.27.

FLAT lost 45 pesos at 2,090 pesos after an overnight fall in New York while Philippine National Bank shed 15 pesos to 640 pesos.

TAIWAN gave up small early gains to close 1.7 per cent lower, undermined by a late plunge in shares of Formosa group firms in the wake of 1993 results from Formosa Plastics and Nan Ya on Wednesday.

The weighted index closed 88.48 down at 5,670.71, off a low of 5,647, in modest turnover of 794.29bn.

Formosa Plastics ended T\$230 lower at T\$48.70 and Nan Ya lost T\$3.50 to T\$65.

AUSTRALIA finished lower amid worries about higher interest rates and some disappointment about recent corporate results and the All Ordinaries closed 21.9 down at 2,197.0.

NEW ZEALAND held firm, the NZSE-40 capital index hovering around its opening level throughout the day before some late buying tipped it 4.03 higher to finish at 2,289.28.

Fletcher Challenge rose 7 cents to NZ\$3.53 following its half year profit announcement on Wednesday.

BANGKOK lost momentum on a lack of positive news coupled with fears of an upward trend in US interest rates. The SET index fell 11.11 to 1,419.54 in thin turnover of 86.56m.

BOMBAY saw demand from investors under the mistaken impression that passenger fares and freight rates had been only marginally raised in the Railway budget being announced in New Delhi. The BSE 30-share index rose 65.44 to 4,114.22.

## Portugal is set to resume an upward path

Falling interest rates are encouraging further equity investment, writes Peter Wise

After soaring gains throughout 1993 and early this year, analysts have welcomed this week's correction on the Lisbon bourse as a means of cleaning up a market that was becoming dominated by speculation rather than serious investment.

"A market that moves up in virtually a straight line for more than a year cannot be considered healthy," says Ms Elizabeth Rothfield, an analyst with independent stockbroker Midas Investimentos. "A spell of profit-taking is needed to put the market back on a more realistic footing."

But the correction is unlikely to be dramatic. The Banco Totta & Acores index fell from a two-year high of 3,266.6 last Friday to 3,161.8 on Wednesday. Analysts will be satisfied if the correction reaches 5 per cent. But they are unsure prices will move down even that far.

Liquidity is driving the bourse forward. Interest rates on medium and long term government debt securities, the traditional home of Portuguese institutional investment, have fallen from 14 per cent last May to 8.5 per cent. As a result, an increasing proportion of portfolios has been channelled into equity.

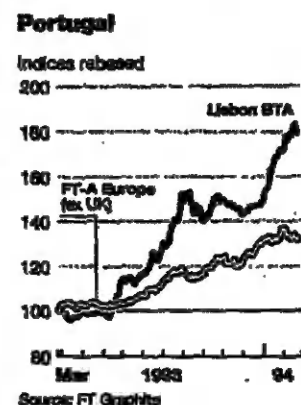
This weight of money of money drove the BTA index up by 59.6 per cent in 1993 to 2,614 and it has already put on a further 20 per cent this year. Analysts forecast an overall gain of 20 to 30 per cent in 1994 on a substantially higher turnover. Lisbon's trading volume rose by 97 per cent last year to E\$2,849bn (\$16bn) while the value of the market more than doubled to E\$2,193bn.

This week's correction was triggered by a rise of 20 basis points in medium and long-term government debt rates after the Bank of Portugal failed to place all of a massive E\$150bn issue of three,

five, and 10 year paper. But the outlook is for a resumption of the downward trend in interest rates, which are expected to fall to about 7 per cent by December.

The fact that the domestic institutions, which now dominate the stock market, are more nervous than their foreign counterparts is also contributing to the current correction. But they are also so bullish about the market overall that they are more often looking for excuses to buy.

"When investors in Portugal start asking you about inflation rates in Japan or the latest budget news from the US it becomes clear that they are not overly concerned with the fundamentals of their own economy or the performance of the companies they are investing in," says Ms Rothfield. "They take the attitude that they must invest and are buy-



Source: FT Graphics

to expand by about 1.5 per cent this year. Investors are already discounting forecasts of improved corporate performance in 1995, when gross domestic product growth could reach 3 per cent.

Mr Ernani Lopes, a former finance minister, this week told a London seminar that Portugal's main corporate problems over the medium term will be increasing competition in domestic and foreign markets, affecting market shares and profit margins. Industry will also undergo a radical restructuring process at both sectoral and company levels.

This will provide opportunities for takeovers of distressed companies and partnerships, he says. The shakeout will also produce portfolio investment opportunities, which will need to be based on adequate research and sound local advice.

After returning higher than expected profits last year, the banking sector, which accounts for 65 per cent of equity turnover, will face greater difficulties in 1994, including bad debt, stronger competition, decreasing spreads and the need to cut costs.

Mr Antonio de Sousa, secretary of state for finance, says that government plans to speed up the privatisation process will be a further stimulus. After completing the planned denationalisation of the financial sector, he believes the privatisation of industrial companies and public utilities this year will increase the equity market turnover of privatised companies from 31 per cent of the total in 1993 to more than 50 per cent this year.

© Additional reporting by William Cochrane in London

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## FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS		WEDNESDAY FEBRUARY 23 1994		TUESDAY FEBRUARY 22 1994		DOLLAR INDEX	
Country	Index	Open	High	Open	High	1993/94	1992/93
Australia (60)	181.43	181.17	181.02	180.94	180.73	100.00	100.00
Austria (17)	188.00	187.30	187.47	187.44	187.44	100.00	100.00
Belgium (42)	166.29	166.07	166.02	165.82	165.82	100.00	100.00
Canada (107)	156.15	156.15	156.15	156.15	156.15	100.00	100.00
Denmark (32)	270.12	271.22	271.18	270.94	270.72	100.00	100.00
Finland (22)	149.10	149.71	149.46	149.34	149.34	100.00	100.00
France (99)	177.69	178.58	178.62	178.74	178.74	100.00	100.00
Germany (59)	189.00	189.55	189.72	189.47	189.47	100.00	100.00
Hong Kong (50)	433.48	435.24	435.14	434.38	434.05	100.00	100.00
Ireland (14)	191.72	192.51	192.58	192.40	192.40	100.00	100.00
Italy (69)	74.99	75.30	75.02	74.96	74.96	100.00	100.00
Japan (168)	149.94	150.04	150.04	150.04	150.04	100.00	100.00
Malaysia (89)	539.03	541.24	540.58	540.21	540.21	100.00	100.00
Mexico (18)	2421.24	2431.25	2431.25	2431.25	2431.25	100.00	100.00
Netherlands (26)	201.94	202.78	202.78	202.78	202.78	100.00	100.00
New Zealand (14)	71.00	71.33	71.33	71.33	71.33	100.00	100.00
Norway (23)	203.00	203.00	203.00	203.00	203.00	100.00	100.00
Singapore (49)	359.79	360.26	360.26	360.26	360.26	100.00	100.00
South Africa (60)	238.21	239.18	239.18	239.18	239.18	100.00	100.00
Spain (42)	148.01	148.01	148.01	148.01	148.01	100.00	100.00
Sweden (59)	224.76	225.08	225.08	225.08	225.08	100.00	100.00
Switzerland (49)	168.21	168.21	168.21	168.21	168.21	100.00	100.00
United Kingdom (215)	202.06	202.06	202.06	202.06	202.06	100.00	100.00
USA (578)	181.61	182.29	182.29	182.29	182.29	100.00	100.00
EUROPE (748)	171.00	171.78	171.78	171.78	171.78	100.00	100.00
NASDAQ (17)	219.84	219.84	219.84	219.84	219.84	100.00	100.00
Pacific Basin (729)	161.65	162.21	162.21	162.21	162.21	100.00	100.00
Euro-Pacific (467)	165.42	165.42	165.42	165.42	165.42	100.00	100.00
North America (826)	188.01	188.78	188.78	188.78	188.78	100.00	100.00
Europe Ex. UK (530)	151.01	151.62	151.62	151.62	151.62	100.00	100.00
Pacific Ex. Japan (259)	273.84	274.36	274.36	274.36	274.36	100.00	100.00
World Ex. US (1622)	166.84	167.52	167.52	167.52	167.52	100.00	100.00
World Ex. UK (1959)	177.34	177.04	177.04	177.04	177.04	100.00	100.00
World Ex. So. Am. (2110)	173.08	174.28	174.28	174.28	174.28	100.00	100.00
World Ex. Japan (1701)	188.89	189.38	189.38	189.38	189.38	100.00	100.00
The World Index (2170)	174.03	174.74	174.74	174.74	174.74	100.00	100.00

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